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DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1983

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS UNITED STATES SENATE

NINETY-SEVENTH CONGRESS

SECOND SESSION

PART 2 (Pages 1–1001)

Consolidated Rail Corporation
Department of Transportation
Nondepartmental Witnesses
U.S. Railway Association

Printed for the use of the Committee on Appropriations

U.S. GOVERNMENT PRINTING OFFICE
15-453 O WASHINGTON : 1983

For sale by the Superintendent of Documents, U.S. Government Printing Office
Washington, D.C. 20402

S181-14

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CONTENTS

THURSDAY, APRIL 1, 1982

Page

Consolidated Rail Corporation 1
Department of Transportation:
Federal Railroad Administration 1
U.S. Railway Association 1

WEDNESDAY, APRIL 21, 1982

Department of Transportation:
Federal Railroad Administration 107
National Railroad Passenger Corporation (AMTRAK) 107

FRIDAY, APRIL 23, 1982

Department of Transportation:
Urban Mass Transportation Administration 231

MONDAY, APRIL 26, 1982

Department of Transportation:
Federal Aviation Administration 453

THURSDAY, APRIL 29, 1982

Nondepartmental Witnesses 603

FRIDAY, APRIL 30, 1982

Nondepartmental Witnesses 655

MONDAY, MAY 3, 1982

Nondepartmental Witnesses 863

DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1983

THURSDAY, APRIL 1, 1982

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 10:10 a.m. in room 1224, Everett McKinley Dirksen Senate Office Building, Hon. Mark Andrews (chairman) presiding.

Present: Senator Andrews.

CONSOLIDATED RAIL CORPORATION

STATEMENT OF L. STANLEY CRANE, CHAIRMAN AND CHIEF EXECUTIVE OFFICER

DEPARTMENT OF TRANSPORTATION

FEDERAL RAILROAD ADMINISTRATION

STATEMENT OF ROBERT BLANCHETTE, ADMINISTRATOR

U.S. RAILWAY ASSOCIATION

STATEMENT OF STEPHEN BERGER, CHAIRMAN

SUBCOMMITTEE PROCEDURE

Senator ANDREWS. The subcommittee will come to order.

Today we have a most distinguished panel. We have the Administrator of the Federal Railroad Administration, the Chairman of the U.S. Railway Association, and the Chairman and Chief Executive Officer of the Consolidated Rail Corporation. It is good to have you with us this morning.

I understand you have statements that will be included in the record. You may summarize them.

Who is the "lead dog" in this group? [Laughter.]

Maybe we should say it in Indian parlance, the "top chief." [Laughter.]

If you would start and follow in whatever order you want. As I understand it, the questions that we have probably would be better fielded by

any one of the three of you. If one has one answer and the other one wants to add to it, that would be helpful in having a more complete record, too.

So, as long as you have been designated, Mr. Crane, you may proceed.

STATEMENT OF I. STANLEY CRANE

Mr. CRANE. Thank you, Mr. Chairman. I do appreciate the opportunity to be here today and to discuss Conrail on the sixth anniversary of its first day of operations which, as you remember, was April 1, 1976.

This is significant because on each previous anniversary of this testimony Conrail has come before this subcommittee to discuss both its progress and its requirements for additional Federal funding. Today I am here to report only progress, since Conrail has not drawn down any available Federal funding for operations since June 1981, nor do we anticipate at this time the need to ask for any additional funding from the Federal Treasury.

That statement reflects a substantial improvement in our financial condition during 1981. For that year, we reported our first annual net income of $39.2 million, a modest profit but nonetheless an improvement of about $284 million from our reported loss in 1980. This is not only a significant accomplishment in a year of deteriorating economic conditions, but it surpasses my own expectations of what we could accomplish when I spoke before the subcommittee 1 year ago in the face of many uncertainties.

During the past year, Conrail and its employees have moved aggressively to solve the problems within their control. And the major public policy questions have been addressed toward achieving the goal that has been the ultimate objective of the Federal Government and Conrail for the last 6 years: That is to return Conrail to the private sector.

The purpose of my testimony today is to convey to you both optimism and caution. Conrail is not yet out of the woods. We have not yet achieved the objective of financial self-sustainability to a degree that would make Conrail attractive to the private buyer.

Now, the balance of my testimony which has been prepared and has been presented for the record is there. I would like to finish up with one final thought.

For 1982, we are continuing our stringent demands on our managers and our employees to size the railroad's physical assets and operating levels to present and projected traffic levels, while taking advantage of every opportunity to offer excellent freight service.

In the first quarter of 1982 we have been hurt by the continuing traffic decline due to the recession and higher-than-normal costs of winter operations. Traditionally, it is the worst quarter of the year in financial performance for many railroads. But frankly, January business levels were terrible—worse than we had expected. February business was better—not as good as we would like but better than we expected. With a good March, we will report a first quarter operating loss and indeed, we had originally budgeted for that.

However, even with a first quarter operating loss we believe we will continue on track with our plan for the year. The strength of the Nation's economy will directly affect Conrail's traffic in the remainder of 1982. If we can count on no further decline in economic activity, we believe we can achieve not only a substantial operating profit, but also a true profit on an Interstate Commerce Commission basis for 1982.

This may sound like a modest goal but, believe me, it is not. With today's economic conditions it is tough and it is going to take a lot of work and dedication to reach it.

My report today leaves one question unanswered. I told you at the start that Conrail is not here to discuss requirements for additional Federal funding. That leaves two sources of funds untouched since June 1981, the $85 million remaining from the $300 million authorized and appropriated for Conrail from the Staggers Act of 1980, and the $262 million remains which was authorized for Conrail by NERSA, although that money has not been appropriated. Because the Railroad Retirement Board administers the employee protection program under section 701 of NERSA, an undefined amount of $85 million is available to the Board to cover the cost of administering that program.

We have not yet achieved the objective of financially self-sustaining operations. These Federal funds are the only line of credit available at this time, and until we are able to show a sufficient record of success to attract private credit, Federal funds will remain the only credit we have.

While we have no current expectations that these funds will be needed, every business needs a safety valve. Therefore, I would like to suggest that particularly in light of the current economic uncertainty and the direct effects of that uncertainty on Conrail's business levels, the funds remain available.

Mr. Chairman, I believe that Conrail has made more progress in the past year than any of us a year ago thought could be possible. This is encouraging news to our customers, to our employees, and to the Federal Government and particularly the taxpayers. I, my management team, and all of our employees are committed to seeing this progress through to the conclusion all of us desire—a private sector for Conrail.

Thank you.

PREPARED STATEMENT

Senator ANDREWS. Thank you very much. Your prepared statement will be entered in the record at this point.

[The statement follows:]

STATEMENT OF L. STANLEY CRANE

Mr. Chairman, I appreciate the opportunity to be here today to discuss Conrail on the sixth anniversary of its first day of operations, April 1, 1976. This is significant because on each previous anniversary of this testimony Conrail has come before this Subcommittee to discuss both its progress and its requirements for additional federal funding, and today, I am here to report only progress. Conrail has not drawn down any available federal funding for operations since June 1981; nor do we anticipate at this time the need to ask for any additional funding from the federal treasury in the future.

That statement reflects a substantial improvement in our financial condition during 1981. For 1981, we reported our first annual net income of $39.2 million, a modest profit, but nonetheless an improvement of about $284 million from our reported loss in 1980. This is not only a significant accomplishment in a year of deteriorating economic conditions, but it surpasses my expectations of what we could accomplish when I spoke before this Subcommittee one year ago in the face of many uncertainties.

During the year past, Conrail and its employees have moved aggressively to solve the problems within their control. And the major public policy questions have been addressed towards achieving the goal that what has been the ultimate objective of the federal government and Conrail for the past six years: to return Conrail to the private sector. The purpose of my testmony today is to convey to you both optimism and this caution: Conrail is not yet out of the woods. We have not yet achieved the objective of financial self-sustainability to a degree that would make Conrail attractive to a private buyer.

Our 1981 profit was reported on a GAAP basis, which allows for many expenditures to be capitalized on a standard depreciation

basis. The Interstate Commerce Commission requires these same expenditures to be expensed, and on that basis, Conrail reported a loss of $107 million in 1981, compared to a loss of $407 million in 1980. It is that difference -- the cost of replenishing the capital assets on a continuing basis -- that we have to overcome to make Conrail attractive to private investors in order that the company may be returned to the private sector.

I now would like to address that need by discussing:

1. Conrail's 1981 accomplishments in providing excellent and efficient rail freight service, its aggressive actions to reduce operating costs to levels consistent with the railroad's traffic base, and its progress in applying the provisions of the Northeast Rail Service Act of 1981 (NERSA).

2. Conrail's expectations for operational and financial performance in 1982, and those actions which remain critical to insuring that Conrail can meet the 1983 profitability tests required by NERSA, and be returned to the private sector through its sale as a single entity.

As I reported to you last year, by January 1981, when I joined Conrail, one objective of the Regional Rail Reorganization Act of 1973 (3R Act, as amended) -- to provide adequate and efficient rail service to the Northeast and Midwest -- had been achieved. In fact, the level of service being delivered on Conrail is much more than adequate, and today is as good as or better than that of any other freight railroad in the United States. This is a direct result of the nearly $3.3 billion invested by the federal government, more than 90 percent of which Conrail used through its first five years to rehabilitate the deteriorated physical assets inherited from its bankrupt predecessors.

With this improved railroad, Conrail was able in 1981 to move aggressively to take advantage of new market freedoms offered by the Staggers Rail Act of 1980. Conrail has reacted to these new pricing and service freedoms with a number of innovative approaches to help us react flexibly to competitive forces and fast-changing market opportunities.

Through the year, Conrail's marketing and sales strategy had two important goals: 1) adjust rates to retain and increase desirable traffic and reduce rates to make greater utilization of available equipment; and, 2) to eliminate losses on unprofitable branch lines and commodities. New reduced rates were offered on shipments of many commodities, and by the end of the year Conrail had implemented some two dozen contract packages with customers tailored to meet specific requirements, such as guaranteed rates, service or equipment supply. In short, we are being competitive.

Last year, I reported that Conrail's physical plant and labor costs were much too high for the amount of revenues it could produce to support these costs. In 1981, we implemented an aggressive cost reduction program, which continues in 1982, to size Conrail's route structure and work force to the operating requirements of its traffic base. This program has been accelerated to adjust for further declines in our traffic levels as a result of the current decline in economic activity, which has turned out to be more severe than we had anticipated early last year. I want to assure you that we are complying with the goals of NERSA in making these cost reductions on a consistent basis when they affect our union and non-union employees.

The most significant of these cost reduction efforts was Conrail's historic labor agreement of May 5, 1981, which, based on 1981 employment levels, will save Conrail about $160 million in 1982. The agreement has been ratified by 15 of Conrail's 16 major labor unions, and we are continuing to work with the one remaining union. In addition, our non-union employees are foregoing wage

increases and benefits in an amount proportionately equivalent to the amount forgone by agreement employees.

Other cost reduction efforts have included elimination or consolidation of unnecessary repair shops and freight car classification yards; reduction of seven freight operating regions to five; and removal of excess tracks from multi-track routes.

These actions represent Conrail's efforts to solve problems within its control. With passage of NERSA, Conrail has been able to address several fundamental cost problems previously beyond its control:

1. Employee Protection -- The new employee protection program established by NERSA replaced Title V of the 3R Act. Whereas Title V had given many employees guaranteed income until age 65, the new program provides a one-time buy-out totally funded and administered by the federal government. A separate program, also funded by the federal government, permits Conrail to eliminate excess firemen and brakemen, also through a one-time buy-out. These, and other provisions of NERSA, have given Conrail great flexibility in reducing its work force and labor costs to levels in line with its operating requirements and traffic base. Both programs are well underway. And the ratio of our labor costs to revenues was reduced to 49 percent in December 1981 from 56 percent in December 1980, a level close to that of other major railroads. Efforts to improve this ratio are continuing since it is one of the key objectives to be achieved if we are to return Conrail to the private sector as a single entity.

2. Physical Restructuring -- In addressing the problem of excessive lines, NERSA established an expedited abandonment process that will remain in effect through

November 1983. Conrail is using this process as part of an overall effort to restructure its physical plant into a core route network with greater traffic density, while continuing to offer service to many branchline customers through a flexible mix of transportation options. Conrail currently has on file applications for permission to abandon 371 lines totalling over 2,600 miles in 13 states. This represents about 16 percent of the railroad's route miles, but less than 2 percent of its traffic and customers. These line abandonments will result in significant savings in track maintenance and rehabilitation costs.

3. Commuter Service --- As you know, NERSA established a process for the orderly transfer of Conrail's commuter operations to other agencies by January 1, 1983. Conrail is fully cooperating with all parties to assure that this transfer takes place by January 1 as required. But let me emphasize that if there is any constraint which would scare away prospective buyers of Conrail, it is the fear of continuing drain on financial resources and management talent to operate these services, which is an unacceptable companion to running a high quality rail freight service on a financially sound basis. In my opinion, no prudent buyer, whoever it may be, would be interested in making an offer on Conrail until that transfer becomes an accomplished fact. Therefore, I believe that the speedy resolution of this matter remains of critical importance.

Now I would like briefly to discuss 1982.

For 1982, we are continuing our stringent demands on our managers, and our employees, to size the railroad's physical assets and operational levels to present and projected traffic

levels, while taking advantage of every opportunity to offer excellent service.

In the first quarter of 1982, we have been hurt by the continuing traffic decline due to the recession and higher-than-normal costs of winter operations. Traditionally it is the "worst quarter of the year" in financial performance for most railroads. But frankly, January business levels were terrible -- worse than we had expected. February business was better -- not as good as we would like, but better than we expected. Even with a good March, we will report a first quarter operating loss, and indeed, we had originally budgeted for a loss in this period from the start.

However, even with a first quarter operating loss we believe we will continue to track with our plan for the year. The strength of the nation's economy will directly affect Conrail's traffic in the remainder of the year. If we can count on no further decline in economic activity, then we can achieve not only a substantial operating profit, but also a solid profit on an ICC basis for the year 1982. This may sound like a modest goal, but, believe me, it's not. With today's economic conditions, it's tough, and it's going to take a lot of work and dedication to reach it.

The many pivotal developments of 1981 clearly have set a course for moving ahead towards the ultimate objective of transferring Conrail to the private sector. It is my opinion that, provided we are able to continue our cost reduction measures to meet declining levels of business, and provided that we are able to totally remove ourselves from beneath the burden of serving as the contractor to operate the most extensive commuter operation in this country by the January 1 deadline, the objective of a profitable, self-sustaining Conrail is certainly achievable.

Now my report to you today leaves one question unanswered. I told you at the start that Conrail is not here today to discuss

requirements for additional federal funding. That leaves two sources of funds untouched since June 1981: $85 million remains from the $300 million authorized and appropriated for Conrail from the Staggers Rail Act of 1980, and $262 million remains which was authorized for Conrail by NERSA, although that money has not been appropriated. Because the Railroad Retirement Board administers the employee protection program under Section 701 of NERSA, an undefined amount of the $85 million is available to the Board to cover the cost of administering the program.

Conrail has not yet achieved the objective of financially self-sustaining operations. These federal funds are the only line of credit available to Conrail at this time. And until we are able to show a sufficient record of success to attract private credit, federal funds will remain the only credit we have. While we have no current expectations that these funds will be needed, every business needs a "safety valve." Therefore, I would like to suggest that, particularly in light of the current economic uncertainty and the direct effect of that uncertainty on Conrail's business levels, funds remain available.

Mr. Chairman, I believe that Conrail has made more progress in the past year than any one of us a year ago thought could be possible. This is encouraging news to our customers, to our employees, to the federal government and particularly to the taxpayers. I, my management team, and all of our employees are committed to seeing this progress through to the conclusion all of us desire: a private sector Conrail.

Thank you.

STATEMENT OF ROBERT BLANCHETTE

Mr. BLANCHETTE. Thank you, Mr. Chairman.

I want to subscribe to Chairman Crane's optimism. I would like to comment briefly on his safety valve point because I think it is a good point.

We cannot get ourselves in a position where the momentum is lost that has been gained. I agree with Mr. Crane that the funds available under the Northeast Rail Services Act and under the Staggers Act are the only line of credit, realistically, that Conrail has to abide any emergency situation.

As presently structured, we think we have the tools to do the job. There is for Conrail operations an authorization all told in the aggregate of $291 million, of which $84.5 million has been appropriated. For the close-out of title V there is $6.1 million which is both authorized and appropriated, and that is going to be a tight squeeze. On section 701, which is the Labor Protection Buy-Out, there is $185 million authorized and $75 million is appropriated. On the section 702, Work Force Reduction Program, there is an authorization of $74 million and there is an appropriation to the extent of $59 million.

So, I think that we have the tools to do the job. I do not know what is contemplated in the future, but we must leave Conrail with a margin of safety and a line of credit, and I am sure that Mr. Crane and this committee would be pleased to help with that. We can discuss what that margin should be, but I agree with him in principle.

Continuing along the optimistic note sounded by the chairman, the Department of Transportation is working very closely with Conrail on a number of fronts to insure the objectives of the Congress leading to a viable and profitable Conrail, and one which can be divested from Federal ownership.

LABOR REDUCTION PROGRAM

I want to highlight several grounds on which we have been moving. First is the Labor Reduction Program and the Employee Buy-Out Program—replacing old title V. This program is being adequately funded at present.

I am pleased to announce that yesterday the special court upheld not only our and Conrail's interpretation of section 702, but upheld the constitutionality of that section and, therefore, that cloud on our title has been removed, effectively, and we can go forward with that.

CONRAIL ABANDONMENTS

Conrail is also moving vigorously on the abandonment front. It has filed for abandonments totaling some 2,600 miles of line, in December. We at the Federal Railway Association are working with Conrail and with State and local communities to see if rail service can be maintained on those abandoned lines, but at no charge to Conrail. We are also working with short-line railroads and other interested parties. I must say that Conrail has been most cooperative in this regard.

Conrail, I will note, is moving most aggressively on another front which was provided by the Congress, and that is under the Staggers Act.

I think Mr. Crane is fortunate to have the services of James Hagen who may be the best marketing man in the railroad industry today. He understands salesmanship and with Mr. Hagen's team, Conrail has moved vigorously before the Interstate Commerce Commission, not always winning the number-one award in popularity, but certainly availing itself of all of the remedies that the Staggers Act affords railroads in this new environment.

SUPPLEMENTAL TRANSFER PROVISIONS

Following the mandate of the Congress, we at the Federal Railway Administration moved to implement the Supplemental Transfer Provisions which were incorporated in the Northeast Rail Services Act. Your colleague, Senator Weicker of Connecticut, has been most helpful in that regard and I am pleased to announce that we secured a deal among the three interested rail-roads—Conrail, Providence, and Worcester, and the Boston and Maine. It was a long time in coming, but that arrangement has been incorporated in a Form of Order which we have submitted to the special court, and the end of the chapter, I think, can be written on that.

COMMUTER OPERATIONS

The last area and a very important area is the transfer away from Conrail of the commuter operations in the Northeast, from Connecticut all the way down to Maryland.

The Commuter Corporation which was created by the Congress has a full complement of members on its board: All the members of the board are now in place. Its president has been off and running since February. He has formed task forces with the commuter authorities in the relevant areas. He has hired accountants and consultants and now has a search under way for the hiring of a full-time staff.

The problems there, of course, are organizational, legal, and financial rather than operational. The resources, the human resources, that are being brought to bear on this problem, I think, are very good. A fine effort has been launched.

I commend to the attention of this committee the Commuter Corporation's March 15, 1982 prospectus on the problems of the commuter operations—which I do not mean to minimize. But it is a compendium and the only one of its kind of the entire nature of the problem. It is an excellent working document. It is a good prospectus.

I am hopeful, looking at all of these issues, that we will make all of the milestones, all of the targets, so that next year when the Board of the U.S. Railway Association meets it will have no difficulty in making the profitability determination which is called upon by statute.

So, having mentioned the U.S. Railway Association, I will yield to Mr. Berger.

PREPARED STATEMENT

Senator ANDREWS. Your prepared statement will be entered in the record at this point.

[The statement follows:]

STATEMENT OF ROBERT W. BLANCHETTE

Mr. Chairman and members of the Subcommittee, I am pleased to appear before you today to discuss Conrail's funding needs.

Since our meeting at this time last year, we are moving to implement divesture of the Government's stake in Conrail. Conrail's dependency on Federal subsidies has been stopped, and I am confident that we can achieve our goal of transferring Conrail to the private sector.

Two basic tools for assisting the freight railroads are now in place: the Staggers Act provisions and the Northeast Rail Service Act of 1981.

The Staggers Act provisions struck a careful balance between the railroads' need to earn an adequate return and the shippers' interest in seeing that rates do not rise unduly. The Staggers Act explicitly permitted contracts for the first time and since passage of the Act, railroads and shippers have negotiated over 1,000 rate and service contracts. Rate increases implemented by the railroads generally have been within the parameters allowed by the Act without protest or suspension and without protracted regulatory proceedings.

Several railroads, including Conrail, have actively pursued the new marketing and pricing freedoms allowed by the Act; they have proposed rate reductions, cancellation or adjustment of joint rates, and exemption of boxcar and export coal traffic.

The Northeast Rail Service Act of 1981 (NERSA) provided

15-453 O - 83 - 2

direction for transferring Conrail to the private sector. It included several tools which, combined with the freedoms of the Staggers Act, are aiding Conrail in improving its financial condition and resulting in brighter prospects for sale as a single entity.

NERSA provided Conrail with the authority to abandon lines under a two-phase, expedited procedure. The first phase authorized Conrail to file abandonment applications before December 1, 1981. These must be granted by the Commission within 90 days unless an offer of subsidy is made. Conrail filed applications on lines totaling 2,630 route miles. The second phase authorizes Conrail to file notices of insufficient revenues on any Conrail line by November 1, 1983. Any subsequent abandonment application with respect to such a line must be granted by the Commission within 90 days unless an offer of subsidy is made.

Section 1155 of NERSA directed the transfer of Conrail lines in Connecticut and Rhode Island to one or more self-sustaining railroads that would guarantee four years of service on all lines. We moved rapidly to effect such a transfer. Our first step was to meet with shippers and other interested parties. At the same time, we solicited proposals from the railroads. Since none of the proposals we received was satisfactory from the standpoint of transportation needs, we worked with the prospective purchasers to develop a negotiated plan, which was submitted to the Special Court on December 11, 1981.

Our plan stresses the strengths of each of the participants. Conrail will retain most of its properties in central and western Connecticut, particularly those lines where shippers have expressed satisfaction with the

single-line service Conrail can provide to many markets. The Providence and Worcester Railroad (P&W) will take over the Rhode Island properties, and offers better service and improved maintenance of properties in an area where it has already generated considerable shipper support. The Boston and Maine (B&M) will acquire light density properties in the Naugatuck Valley of Connecticut, as well as reciprocal switching rights for north-south traffic along the main line from Springfield to New Haven. The B&M will offer improved service and a respite from surcharges on the Torrington Branch to see if traffic can be brought back.

Our plan was basically satisfactory to each of the railroads involved. However, Conrail asked the Special Court to provide it protection from certain disputed liabilities under the Providence Terminal Agreement. The bulk of the alleged liabilities involve expenses of passenger operations in the terminal. On March 12, 1982 the Special Court ruled that the plan should go forward as proposed, with the understanding that Conrail would incur no further freight-related obligations concerning the Providence Terminal after it transfers its properties in Rhode Island.

We are working with the railroads to accomplish these transfers as early as practicable this spring.

NERSA also required us to transfer five Conrail lines in Massachusetts. On December 11, 1981, we designated the Boston and Maine as transferee of the Caanan, North Adams and East Longmeadow (Hazardville) lines. Transfer of those lines should occur on or about April 1, 1982.

NERSA mandated the transfer of rail commuter service responsibilities from Conrail to the new Amtrak Commuter

Services Corporation (ACSC) or to the commuter authorities on January 1, 1983. Congress provided $45 million in FY 1982 for transitional and start-up costs. On March 12, 1982, we approved ACSC's $650,000 application for pre-transfer allocation funds. I am pleased that ACSC is beginning to take shape and that the Board Members have been selected.

NERSA repealed Title V of the 3R Act, effective September 1, 1981. It provided for the close-out of that program and made provision for employees who lose their jobs as a result of expedited abandonments, internal consolidations of facilities, and other measures that are necessary to make Conrail self-sustaining. Section 701 is the provision which provides general labor protection to employees deprived of employment. The Congress appropriated $85 million for this purpose in FY 1982. We worked with the Department of Labor on development of the benefit schedule for that program, which was issued by the Secretary of Labor on December 11, 1981. Under an agreement with the Railroad Retirement Board that permits us to monitor program needs and developing problems, we transferred the initial increment of funds to the Board in late January, and made administrative funds available shortly thereafter. In its FY 1983 budget, FRA is requesting $20 million for this program.

We also entered into a grant agreement with Conrail for implementation of the workforce reduction program. Under the program, Conrail is required to abolish a position for each terminated employee through payment of a separation allowance (not to exceed $25,000). In addition to the $15 million obligated by USRA under the pilot program, $100 million has been made available to the Secretary for this purpose, of which $41 million has now been obligated, and we expect that

Conrail will substantially complete the program within this fiscal year. Conrail estimates that this program will save it approximately $100 million per year, a substantial contribution to the savings necessary to keep Conrail together as a single entity.

Conrail achieved a profit of $39 million in 1981 and projects this to rise to over $200 million in 1982 under Generally Accepted Accounting Principles. Conrail started calendar year 1982 with $370 million cash on hand, and expects to end the year with nearly that much. As Conrail continues its cost reduction program, and in conjunction with productivity gains, it expects to achieve an operating ratio of about 93 percent in 1982, compared with 98.4 in 1981. As a result, Conrail does not expect to draw down Federal funds for operating or capital purposes in 1982 or thereafter.

Mr. Chairman, this completes my prepared statement. I will be happy to answer any questions the Subcommittee may have.

STATEMENT OF STEPHEN BERGER

Mr. BERGER. Thank you very much, Mr. Chairman.

I must tell you, it is delightful to be down here today with my colleagues. I thumbed through the testimony, last year's testimony, this morning before I came over here. Obviously, the atmosphere is much more congenial than last year.

Senator ANDREWS. Some of you have delivered on the promises you made last year that some of us were fairly skeptical about.

Mr. BERGER. Well, Mr. Chairman, when I came here last year with the U.S. Railway Association's recommendation, which was a controversial recommendation, I said there were no easy solutions and everything was high risk, but in the judgment of the Board of the U.S. Railway Association if everybody chipped in—if labor, the Government, the local governments, and management chipped in—we could move in the right direction.

I must tell you, and it should not be forgotten, that some of the most difficult actions were actions that we asked the Congress to take in the areas of financing and labor protection, and thus create the environment which we felt was necessary to allow management to do the kind of job that had to be done.

I just want to put on the record the fact that I think that NERSA provided the framework, and the central framework, otherwise we could not be sitting here—those of us who constructed the original plan and those who have implemented it—in such a state of mild rapture.

I think it is important to also point out, as Mr. Blanchette has done, that the management of Conrail under Mr. Crane and under his top people has taken advantage of both the Staggers Act and NERSA in a very creative way, and are running the rail system in the way many of us had hoped to see it run.

I think one has to have a sense of caution, however. And the sense of caution, frankly, is not so much the caution that I had had at one time about the capacity of Conrail to meet management tests. To a large extent Conrail now is facing, as other corporations face, the problems of our economy.

The safety valve that both of these gentlemen have talked about and the need to insure Conrail a line of credit is for the first time much more seriously a product of general economic conditions, as opposed to the problems of the rail system itself and being able to manage itself. I think some of the most important aspects of Conrail over the last year is the way in which management and labor, working together, have been able to cut costs on this system, to begin to shape the operating ratios in a way that a lot of other corporations I know today in this country are desperately trying to do.

We began this process a couple of years ago and most of the people here really have been at this for just a couple of years, with the goal of insuring the transfer of Conrail to the private sector.

I would just like to point out that a great deal of work still remains to be done. Under NERSA, as Mr. Blanchette pointed out, one of the crucial tests of course will be the profitability test which the U.S. Railway Association Board has to make next year. That is a crucial test for the public, for the financial community, for potential buyers. It is an important piece of the process.

I can only say I believe, on behalf of the U.S. Railway Association and the staff, that we will try, as we have tried to do in our reports under the Staggers Act and our reports which led to NERSA, to give you the best independent judgment we can, the most objective judgment we can, on the situation next year.

We will do what we have promised and the act requires, provide you with interim reports on problems through this year, working together with the other members of the board, their agencies, and Conrail.

I must say the working relationship that we have with Conrail is excellent, it is professional, and we hope to be in a position to make that profitability determination. I do share the general sense of optimism of my colleagues.

My hope is that next year's session here will be even more harmonious and more positive, and that the year after, with any luck, none of us will come here to discuss this issue with you.

Thank you very much.

Senator ANDREWS. It is not that we do not like to see you.

Mr. BERGER. I understand. I hoped it would not be a personal issue but a matter of public policy.

PREPARED STATEMENT

Senator ANDREWS. Your prepared statement will be entered in the record at this point.

[The statement follows:]

STATEMENT OF STEPHEN BERGER

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

I appreciate the opportunity to appear here today in support of USRA's appropriation request of $2 million for 1983 administrative expenses. The Committee has been supplied with budget details supporting this request.

While we are not requesting at this time any 1983 appropriations for purchase of Conrail securities, I will briefly summarize the current financial situation and outlook for the future of Conrail.

Conrail has not drawn down any Federal funds since last June and we do not foresee the need for any drawdown in the near future. We have $84.5 million remaining in the account for purchase of Conrail securities following transfers to other rail-related accounts of some $235 million. Conrail has a substantial cash reserve at the present time and Chairman Crane has stated that he does not intend to request that the Association make further purchases of Conrail securities. Nevertheless, the Congress should be aware that continuation of depressed economic activity could require us to use these funds to assist Conrail and we are recommending that the funds remain available to the Association.

During calendar year 1981 Conrail made a small profit of $39 million using generally accepted accounting practices (GAAP) as opposed to the ICC basis of accounting. This performance was a sharp improvement over 1980. Transportation and operating ratios reached new lows when compared with previous performance. Cash flow from operations was a positive $244 million, an increase of $273 million over 1980.

Conrail's improved 1981 performance springs from its ability to cut costs at a rate appropriate to traffic levels. In 1981, carloads declined 8.3 percent. These declines, however, were accompanied by freight revenue increases of 5.6 percent, the result of rate increases and Staggers Act initiatives. Freight expenses made the key contribution, dropping by 2 percent despite inflation that averaged 10 percent in the cost accounts.

In all areas, expenses were reduced by lowering the employee count. 1981 average employment was 57,000, a drop of 13 percent from 1980.

Conrail's 1982 budget forecasts a new income of $200 million on a GAAP basis, or $50 million on an ICC basis. Customer service is planned to be maintained at levels at least equal to 1981. Corporate objectives in reaching these results include obtaining full benefits from the new labor agreements and the Northeast Rail Service Act severance program. Conrail intends to continue its cost reduction program and to reduce plant size. A special objective in 1982 is to develop plans and programs for transferring passenger operations no later than January 1, 1983.

Conrail's budget projects an increase of 7.5 percent in 1982 revenue. The volume forecast estimates that tonnage will be virtually unchanged from 1981; revenue increases are expected to stem primarily from rate increases. Conrail's freight volume forecast is consistent with the Chase Econometrics Standard forecast for 1982 which includes a modest recovery beginning in the second quarter.

Total previous outlays for purchase of Conrail securities amount to $3,280 million. This compares with authorizations totalling $3,891 million. As I noted previously, we are not now seeking additional appropriations and we are not now forecasting additional purchase of securities with the $84.5 million appropriated but unused. However, the Association does support the $20 million included in FRA's budget for labor protection pursuant to Section 701 of the Northeast Rail Service Act.

When I appeared before this Committee one year ago I stated that USRA believed that there was an opportunity for Conrail to become self-sufficient providing: (1) Conrail made aggressive use of the economic flexibility provided by the Staggers Act; (2) Conrail achieved tight management of its cost structure; (3) labor offered significant concessions making possible increased productivity and cost reductions; and (4) Congress approved legislation relieving Conrail of commuter operations and of long-term labor protection responsibility. All four conditions appear now to to achievable and considerable progress has been made in all four areas.

The Association's work program for this fiscal year and next involves preparation of a series of reports to the Congress as specified in the Northeast Rail Service Act. An initial staff oversight report was made

available to Committee staff about three weeks ago. We expect to make a report on the progress being made in transferring Conrail's commuter responsibility the middle of this month. In mid-May we will submit a Conrail performance report analyzing in detail the results of 1981 operations. In September we will prepare a supplement to the 1981 Conrail report providing comparative rail industry performance. Next February we will have a report assessing 1982 activity. In June 1983, we are required to prepare a report on Conrail's prospects for profitability which will, of course, include a critique of Conrail's post-1983 financial forecast. Late in 1983 we must submit a determination concerning Conrail's profitability during the June - October period. These two profitability determinations will in turn determine whether the Federal Government's interest in Conrail is to be sold by the Secretary of Transportation as a system or in pieces. Our reports are also to cover the progress being made in transferring Conrail's commuter operations and in selling Conrail to the private sector.

I am convinced that the staff required for accomplishing this work program is 24 professionals. Secretarial and administrative support plus executive direction bring total staff to approximately 40 people. The $2 million appropriation request will support this number of people, but will provide only a very small amount for litigation. We are assuming that practically all of the litigation work will be accomplished in the current year. The staffing pattern and work program have not yet had the approval of the USRA Board of Directors, but these matters will be discussed at the meeting on April 12th.

As you know, we have recently reached tentative settlement with the Ann Arbor and the Lehigh Valley. The Central of New Jersey remains as the only significant litigant. We continue to work toward settlement with this estate as we also continue to vigorously pursue the litigation.

A year ago we were talking about a litigation budget of about $12 million for the current fiscal year. Now we are estimating about $4 million on a comparable basis. Next year we are talking about less than $100,000. Obviously, we are expecting that practically all of the work on this massive and complex litigation will have been completed by the end of this fiscal year. It is possible that this will turn out to be an overly optimistic

assumption in which case we might have to consider the possibility of a supplemental appropriation.

The appropriation language included in the President's budget for our administrative expenses includes a provision that offers potential savings of about $25 million in Section 211(h) loan funds. This provision would be helpful in obtaining repayment of loans made by USRA to pay life and health insurance premiums for certain retirees who left the bankrupt railroads prior to April 1976. We believe that these payments were properly a responsibility of the bankrupt estates.

PROGRESS IN SHEDDING COMMUTER OPERATIONS

Senator ANDREWS. The subcommittee has heard numerous times that Conrail's success depends in large part on its ability to shed its commuter operations. You mentioned a minute ago that you made some progress.

As a matter of fact, we passed the Northeast Services Act last year. In accordance with that legislation the Amtrak Commuter Services Corporation was formed and its president was appointed this past January.

Now, Mr. Berger, what is your assessment as to how well the process of turning Conrail's commuter services over to either the local transit authorities or Amtrak Commuter Services is going at present?

Mr. BERGER. Mr. Chairman, if I may, I would like to divide my answer in two parts. The first part I really have to do as the Chairman of the U.S. Railway Association.

The second part, if you like, I will do as a member of the board of one of those commuter agencies. I would like to distinguish carefully between the two parts of my answer.

As Chairman of the Board of the U.S. Railway Association I obviously share the goal that we must get Conrail out of the passenger service business. My concern is that this is an extraordinarily complicated process and to some degree far more complicated than we faced when we considered it last year.

There have been a variety of discussions by the commuter agencies with the Federal Government, with the Department of Transportation, and they have basically revolved around the question of funding and primarily questions of transition funding. That is one piece of the discussion.

There is a second piece of the discussion which, I think, is of more concern to me as Chairman of the Board of the U.S. Railway Association. Because of the complicated nature of the process, the process of getting somebody who is not running trains today to be in a position to run trains January 1, because of mechanical and technical systems development, the hiring of people, and so forth, we expect possible delays.

I am deeply concerned that that process does not drag because if it drags I can foresee being back before you well before April with people from five States, deeply concerned that come January 1 there will not be the capacity to provide service and they will be coming to the Congress for relief.

So, that is a concern I have as Chairman of the Board of the U.S. Railway Association to insure that we do not see the door opened sometime later this year with people saying to Mr. Crane, "Well, hang onto it for a little while longer." That would jeopardize the entire program that, I think, all of us agree should be put in place. That is my concern from the point of view of the U.S. Railway Association.

I must tell you—I think it is no secret—that as a member of a Board of a commuter agency I have been deeply disturbed by the way the Amtrak commuter situation was put together. Looking at it from that point of view, I read the Northeast Rail Act as an act which provided those of us who have to provide commuter service with an option—an option either to take it over and run it ourselves, or an option to utilize a service agency.

I must tell you, my personal choice would have been to opt for a service agency. My reaction as indicated in some of the comments I have made was that I did not believe I was really given that option.

The fact that a document was put out—a document Mr. Blanchette talks about and at some point I suggest everybody read it. We used to put out official statements like that for deals that were already closed. I do not believe that Amtrak Commuter was put together in a way that would encourage someone like myself, sitting on a commuter board to say, "I can in good conscience, with the commuters I have to serve, opt to let my commuter service come under this agency."

I can discuss it in greater detail. I think some of the staff may have seen copies of some remarks I made. But I feel very strongly about it. I feel this is a shame because I do not think the Federal Government is following the intent of the act.

Senator ANDREWS. Well, today is April 1. Not only is it April Fools' Day, but it is the deadline for regional transit authorities to decide whether they are going to take over the operation of Conrail's commuter services themselves or contract with the Commuter Services Corporation to do it.

Do you have any indication on what the regional authorities decided? I see a head shaking over on the left, Mr. Berger.

Mr. BERGER. This is the only group, probably, in America where I end up sitting on the left.

The New York Board and the New Jersey Board filed letters. I happen to have copies here of both of them, I got them yesterday in New York. They are hard to characterize, they are fuzzy letters I must tell you in all honesty, and they will clearly give different people the opportunity to judge what they say.

Senator ANDREWS. Well, you have worked on the Hill for a long time, you know how to write fuzzy letters. [Laughter.]

Mr. BERGER. That is true, Senator. This was not my fuzzy letter. I said my position would have been to go for Amtrak Commuter. Both New Jersey and New York, with slight variations say in their letters that if a variety of conditions are met—and there is only one real difference—New Jersey, I believe, said, "We are prepared to operate the service if the following conditions are met."

New York says, "We are not prepared to operate the service unless the following conditions are met."

I must say—again speaking as someone in the region—that part of the reason for this fuzziness is that there are two issues. One is the funding issue and the other is the question of how to make sure the trains will run. The lack of sense of security about Amtrak Commuter's capability, I think, has complicated the problem of making a judgment on which way to go.

As I say, the parties to whom the letters are addressed will get them if they have not gotten them already, and then a kind of Talmudic interpretative process will have to begin to find out what they truly mean.

Senator ANDREWS. Well, whose name is going to be on the signatory line? You have to have somebody that is going to "fess" up to what you are doing out there, and who has final responsibility for whether or not this is shoved back.

Do you think the letters are able to be interpreted?

Mr. BERGER. I think, in all honesty—as someone who has spent some time on the Hill—I think the letters provide some legal justification for continuing negotiations between the States and the Federal Government.

Senator ANDREWS. In other words, the negotiations have not stopped, we have not resolved the issue. We do not really know where we are going.

Mr. BERGER. I think, Senator, that may be the best summary I have heard yet of where we are on that.

Senator ANDREWS. I have received a lot of those fuzzy letters, too. They come from downtown. [Laughter.]

INTERPRETATION OF COMMUTER AUTHORITIES SELECTION

You have to learn to interpret them. How are those of you in the Federal Railroad Administration and Conrail going to interpret that kind of letter?

Mr. BLANCHETTE. Well, speaking only for the Federal Railroad Administration—obviously, I have not read the New York letter—the New Jersey letter says essentially anything you want it to say.

But I do not think we ought to put too fine a point on the April Fools' option date. New Jersey and New York, Connecticut and SEPTA, are the principal players. They continue to serve on the Commuter Corporation's task forces; they continue to have dialogs with the Commuter Corporation, with Mr. Marston and his team. There is nothing magic in this date. They will either elect in or out.

I can assure you, Senator, one thing: On January 1, 1983, at 12:01 and thereafter, the crews will report to their designated stations, and the

dispatchers will dispatch their trains, and the commuters will ride. We are not talking about an operating problem.

I always felt at the Penn Central that if you lost everybody overnight, from the assistant vice president and above, all the trains would operate perfectly and it would be 6 months before anyone knew that there had been a loss of any kind. [Laughter.]

That is no longer true, obviously, at Conrail. But certainly, in terms of how to operate and run those trains, that knowledge is there. We are talking about the legal, financial, and organizational aspects of it—which again are not to be minimized—but they will be worked out.

I refrain, by the way, from using the term "Amtrak Commuter Corporation" out of deference to Mr. Alan Boyd who does not wish to have anything denoting his name or the name of his corporation within any radius of decent distance from the commuter operations, and I think that is right.

I think one of the problems has been in the past that Conrail has taken the rap for operational decisions and funding decisions that were not within Conrail's jurisdiction. So, I call it the Commuter Corporation and I am sure a better name will be coined.

But there are in place all of the mechanisms necessary to solve the problem. These are not monumentally unique problems in American industry, and with the good will that I see and sense, I believe the problems are going to be worked out.

Obviously, the commuter authorities have an inherent desire for greater funding. That is in the nature of things. When Mr. Berger wears his second hat he obviously has to emphasize funding because funding is one of the principal problems of all commuter authorities.

Senator ANDREWS. That is fine, and that is the reason you are here, because funding is a function of this subcommittee. That is the reason I am concerned, because if we have this "waffly" language I can see that we will be wide open for misinterpretation or reinterpretation of it. Conrail could eventually end up getting stuck with some costs that everybody is figuring are going to be transferred back. And suddenly on January 1 the trains will run and the taxpayers, the Federal taxpayers, will be presented with the bill.

Now, the reason for the April Fool's deadline, as I understand it, was to get away from this business of drifting along and not really knowing what happens. Then we wouldn't be passing on a "due bill" to the Federal taxpayers saying, "Here it is, you have to bail us out so the trains will keep running." Somehow or other we have to come down to a point of decision. This situation concerns me.

Mr. BLANCHETTE. Note also that under the statute, while the commuter authorities could elect to operate the service themselves on April 1, if they fail to do so they could always make a later election to operate the services themselves.

So, that is why I am not concerned. Obviously, if the letters were unequivocal and did not require a Talmudic interpretation, that would have been a better thing. It is not that they dropped something in the in-box on April 1 and we will never hear from them thereafter.

TRANSITIONAL FUNDING

Senator ANDREWS. They just floated a puff of smoke by and it may or may not be there in the same form when you look at it the next time.

Mr. BLANCHETTE. That is correct, and we have regulations out, for example, on the $45 million transition funding that was appropriated. We put out emergency regulations, comments are being received. We are going to review those comments and make whatever revisions are necessary.

Senator ANDREWS. What is the effect of that going to be on Conrail?

Mr. BLANCHETTE. The effect on Conrail is still going to be that they are going to get out of the commuter business on December 31, 1982. It is up to all of us, representing our respective constituencies, to make sure that gets done. I do not see anything yet, any impediment or obstacle, to that deadline. The principal deadline is to get Conrail out of the commuter business.

Senator ANDREWS. As I understand it also, you are going to spread that $45 million around over 4 years.

Mr. BLANCHETTE. Let me give you the genesis of that suggestion because it is a suggestion, it is not a final rule.

You may recall, Senator, that last summer when the transition funding issue was being considered by you and other affected committees and your staff, the consensus at the time was that $50 million would be an adequate amount for transition, not for the operating subsidies, that is an UMTA question, but to manage the transition. The thought then was that $50 million would be adequate.

The thought was expressed that it would be paid out over some 3 years, 3 or 4 years—so much in each year, I think it was $25 million, $15 million, and $10 million. In the submission of the emergency rule—we called it emergency only because we wanted to make sure that the Commuter Corporation could have funds in the meantime to get it started, which said objective was indeed accomplished—there was an attempt made in that suggested rule to incorporate that consensus of last summer.

In the receipt of the comments from the commuter authorities and others it has certainly not been "fuzzy" to say that the consensus of the commuter authorities is now that that funding ought not to be spread out over some period of years and that it ought to be spent this year.

Senator ANDREWS. Not only that, but if you look at the $45 million figure and the consensus of the separate groups, MTA estimates a one-time cost of $50 million; New Jersey, $20 million, and the Pennsylvania Transportation Authority, southeastern Pennsylvania, estimates $20 million. That comes out to a neat $90 million which is just exactly twice the amount of the $45 million.

Now, compared to the Defense Department experts who sat at that table yesterday talking about the MX missile, an escalation of two times probably is not all that bad. But it sure throws things out of perspective in the transportation arena when you give us a figure like that.

Now, what is your opinion of the adequacy of the $7.5 million the Department of Transportation has made available for fiscal 1982?

Mr. BLANCHETTE. Seven and one-half million?
Senator ANDREWS. That is right. Is that going to be sufficient?
Mr. BLANCHETTE. I am not familiar with that number.
Senator ANDREWS. Well, that is the number we were given.
Mr. BLANCHETTE. Oh, you mean the interim part.
Senator ANDREWS. Right.
Mr. BLANCHETTE. I thought it was a budget request.
Senator ANDREWS. No, no.

Mr. BLANCHETTE. To some extent we are like the fellow who said, "I hired an architect and gave him an unlimited budget, and he exceeded it." I think that what we have here is people coming in with a variety of problems, all of which can be translated into dollars. It is going to be our function in taking these comments to see which funding needs are properly allocable to the transition aspect of the divestiture, and which are operating subsidy problems.

We have not completed that analysis. But one of the things we do know and have known for some time, speaking of MTA, is that pursuant to transactions that were entered into 10 years ago, and in exchange for other considerations, Penn Central gave the Metropolitan Transportation Authority essentially a 75-day grace period within which to pay for services rendered during the previous quarter. The Commuter Authority did not have to pay the bill for running services for a particular quarter, essentially, until 75 days afterward.

Penn Central was not in the business of giving credit and interest-free loans, but it did get in return therefore other valuable considerations.

We knew last year when the Northeast Rail Services Act was passed that the Congress said that those arrangements which Conrail unfortunately inherited, were to end. So that MTA and Connecticut have known for quite some time, as have we, that the Congress wanted the commuter authorities to pay for services essentially on a "cash on the barrelhead" basis.

The transition from a 75-day interest-free loan to cash on the barrelhead is a funding problem, I am not sure that it is a transition problem.

We have talked to Chairman Ravitch of MTA and Commissioner Burns of Connecticut, and we are going to work on that problem and solve it. We know the problem has been there for a long time. That is part of the one-time start-up cost, if you will. I will just pick one element of the several requests that we have had, and we are now in the process of going over those comments and reporting to this committee after we have, and to the commuter authorities, our best judgment on the issue.

We still think that on the transition aspect the $45 million is adequate. But if we are wrong we will report back to this committee. We will do it dispassionately and with no prejudgment on the issue.

ICC INTERIM DECISION ON COST ALLOCATION

Senator ANDREWS. That has been, the whole operation, like having three or four checking accounts and just transferring funds from one to the other, trying to stay ahead of disaster. Some day you are going to have to come down to the end reckoning.

We understand that Conrail has been involved in a cost allocation dispute. For instance, disputes with Amtrak over the use of tracks in the Northeast Corridor have resulted in Conrail owing quite a bit of money to Amtrak. The Association purchased, as I understand it, $85 million worth of Conrail's accounts receivable in exchange for an equal amount of Conrail's 7½-percent debentures.

You have indicated that you intend to purchase an additional $4 million accounts receivable from Conrail in the future. In the meantime, though, the Interstate Commerce Commission comes up with an interim decision which adopted Conrail's costing methods.

Now, how does this interim decision affect the arrangements you have with Conrail? Really, the bottom line is, if the final decision is consistent with the interim decision, will Conrail then get the money back from Amtrak? Do we have to put money in the Amtrak boxes so they can pay you, and then do we subtract from you because you do not need as much as you would have needed if you did not get that payment?

Mr. BLANCHETTE. I can give you a preview of coming attractions.

Senator ANDREWS. I am afraid you can.

Mr. BLANCHETTE. I do not know how attractive these attractions are, but no doubt the Interstate Commerce Commission decision in respect to the corridor means on an annualized basis—looking at fiscal 1983—that Amtrak will have an adverse revenue impact of $20 million a year.

We have met with Amtrak on that and we have, in deriving our $600 million proposed budget for Amtrak and looking at the operating aspect of it, stipulated the $20 million as one element to be continued with as a budget. So, it is like every golf shot makes somebody happy. That decision, I think, made Mr. Crane happy but it gave the rest of us a somewhat more woeful countenance.

Senator ANDREWS. Rough, yes—maybe in the water.

Mr. BLANCHETTE. Well, we are not in the water, we are in the red. So, there is $20 million of red ink that this committee will have to contend with in addressing the Amtrak-proposed budget for fiscal 1983.

One can say it is a matter of indifference to DOT since we fund both wards, Amtrak and Conrail. But, unfortunately, we are not funding Conrail any more and we are willing to abide by that ICC decision because it is part of the Conrail profitability assessment.

Senator ANDREWS. Moving on to a new subject, when you are looking at profitability it is my understanding that the traffic available to Conrail has not shown any long-term trend of improvement. There was a 7.4-percent reduction in volume from 1980 to last year.

It seems to me there is a lot of coal traffic in the eastern district where Conrail operates. Other railroads apparently carry a lot more coal than Conrail does. Are you missing the boat, do you have other types of freight that you can add to, or are you on a permanently decreasing type of operation?

Mr. CRANE. I do not know that I can answer that question specifically, Mr. Chairman. Let me say with respect to the coal situation, our

sources of coal are western Pennsylvania coal. Western Pennsylvania coal is characterized by being high-sulfur coal.

Under environmental requirements in this country it is not as acceptable as a steam fuel, as compared to the West Virginia coals which are lower in sulfur. So, we suffer because we are not competitive. This is the reason why the coal that is available for us to carry is not as attractive as the West Virginia coal.

Senator ANDREWS. Is not that coal in more demand for export?

Mr. CRANE. No; it is not. Although it is in demand for export for certain applications, it is not in demand for other applications. Cement plants can use it. But there are environmental requirements in Europe, many of which are as stringent as ours, and it is not acceptable there unless it is blended with a lower-sulfur coal.

MARKETING STRATEGY

Senator ANDREWS. Well, other than coal, are you pursuing an aggressive marketing strategy to get more traffic on your road, or are you more or less satisfied with cleaning up the inhouse mess that you inherited and hoping that somebody will come and take the whole child off your hands?

Mr. CRANE. We are pursuing an aggressive marketing strategy. I guess the best evidence of that for a dispassionate observer is the fact that 2 years in a row we have won the Modern Railroads award for the best marketing effort of any railroad in the country, and the most innovative marketing effort. That has never been done 2 years in a row.

That still does not overcome the decline in the economy in the Northeast and the Midwest. Unless the American automotive industry comes back, and unless the American steel industry comes back—both of which represent somewhere around 15 percent of our revenue—we are in difficulty too, Senator.

FACILITY IMPROVEMENTS

Senator ANDREWS. In 1980, as I undersand it, Conrail announced a $26.5 million modernization of coal-handling facilities on Philadelphia's waterfront. Now we have heard that a New York shipping company intends to convert a grain elevator in a Port Richmond pier into a coal and grain exporting operation that could be one of Pennsylvania's largest coal exporting terminals.

I understand that the shipping company will have access to Conrail's freight lines. Do you expect these facility improvements to have an effect on the level of traffic currently carried by Conrail?

Mr. CRANE. I would hope that we might gain some traffic from it. First, let me amplify on your question.

The shipping facility that we have on our Pier 124 in Philadelphia actually was financed by the State of Pennsylvania. We are the carrier who serves it, and we also operate it under our contractual obligation with the State.

There is another facility along the Delaware River waterfront which we also serve, the one that you have referred to as the New York ship-

ping company. This is a joint operation where they have both a grain elevator and they are talking about shipping some coal over it.

Senator ANDREWS. Right.

Mr. CRANE. There is yet a third operator up there where there is a fuel facility, who is talking about putting in a coal-shipment facility.

Conrail stands ready with the tracks, the locomotives, the cars, and the people to ship it. But we are not directly engaged in the marketing of the coal nor in, obviously, the mining of the coal and the availability of it for export.

Senator ANDREWS. I have another item, the item of labor protection. The Secretary of Labor in December 1981 produced a new benefits schedule for implementation of title V, section 701 of the Rail Act. It stated that the future financial responsibility for labor protection under section 701 will not rest with Conrail, but with the Railroad Retirement Board. And a maximum benefit of $20,000 per Conrail employee was also established. You and I have talked about that a number of times.

How will this impact on Conrail, how is it working?

Mr. CRANE. It is working very advantageously for us because obviously, at the time that the title V was in operation we had people who we did not have any further requirement for their services, and we were required to continue to pay them. Of course, over a period of time the Federal Government reimbursed us for that amount of money. I believe over the 5-year period of Conrail some $350 million worth of the Federal Government's money had gone into that program.

Under the replacement, the 701 program, those people now have the option either of taking something like $41 and some cents a day, a supplementary to their railroad unemployment, up to the total of $20,000; or a $20,000 one-time buyout; or a combination of those two.

As far as Conrail is concerned, this has no direct effect on us other than the fact that we do not have to come back to the Federal Government to make up those payments ourselves, as we did under title V when we administered it. They go through the Railroad Retirement Board.

Senator ANDREWS. Well, the 1981 average employment for Conrail was 57,000, a drop of 13 percent from 1980. Last November, the U.S. Railway Association and Conrail, as we understand it, entered into an agreement under which Conrail offered separation allowances of up to $25,000—that is $5,000 over the maximum.

Mr. CRANE. Let me correct that section, Mr. Chairman. That is a second program, the so-called 702 program which involved a decision on the part of the Congress to support us in eliminating the excess firemen and brakemen which were grandfathered onto our payroll at the time that the RRR and the RRRR Act were put into effect.

We estimated at that time in our testimony before this committee last year that we had some 4,600 excess employees in that area that we would like to separate.

The Congress provided for a one-time payment of $25,000. The separation was to be at our option at the locations where we wanted it, in order to reduce our seniority list at those locations so that we could

bring our crew sizes in line with other railroads. Then, if we could not get enough people that way, we could make it mandatory and pick the spots.

Not only did we buy out the individual, but we also bought out the job.

Senator ANDREWS. I understand that, and in blanking out the positions of the employees who left you felt you did not have to hire furloughed employees back into the positions.

Mr. CRANE. That is correct.

Senator ANDREWS. But I understand the UTU has since filed suit on this practice.

Mr. CRANE. That is right. That is what Mr. Blanchette referred to today. That case was heard before the special court. The special court rendered a decision yesterday in which they upheld the constitutionality of the NERSA Act which said that the position could be bought out, and it was blanked permanently.

Senator ANDREWS. What are the prospects, then, of Conrail rehiring furloughed employees?

Mr. CRANE. Let me say Mr. Chairman, as business activity comes back——

Senator ANDREWS. Business activity such as the automobile industry and the steel industry picks up? You anticipated that question pretty well, I guess.

Mr. Berger, you mention in your statement that the staffing pattern and work program of the association has not yet been approved by your Board of Directors. What is the reason for this delay?

Mr. BERGER. Well, Senator, I was prepared to discuss it at the last Board meeting, but the FRA wanted some time to review it. I assume it will come up before us on April 12, which is the next Board meeting.

Senator ANDREWS. Has your fiscal 1983 budget been approved by the Board of Directors?

Mr. BERGER. No; it has not. It has been circulated and I assume that will also be there for discussion.

Senator ANDREWS. The association's budget request for fiscal 1983 consists of $2 million, and out of these funds you are proposing to fund approximately 24 professionals.

Mr. BERGER. Yes, sir.

Senator ANDREWS. And an additional 16 supporting executive positions. Considering the ambitious schedule you have put forth in your statement of producing periodic reports, particularly those concerned with determining the profitabilty of Conrail, do you believe you will have sufficient resources for the necessary expertise within the association required to carry out your statutory responsibilities?

Mr. BERGER. Senator, I believe we will. I worked very hard with the senior staff and with some of the top professionals to develop the work program that you have seen. I have, in previous incarnations, worked on Government staffs, as you probably know. It is my judgment that we can meet the obligations under NERSA with this staffing pattern.

I believe it is tight. This is hardly a "fat" budget in any sense. I believe that we can meet our requirements, that we can make these reports, and we can do what we have to do.

I do have a concern which I will be very frank about, which is to be able to hold on to our professionals and our top professional staff. That is why I am anxious and have been anxious to get the work plan approved by the Board. But I have talked to the professionals. We did it before, key staff worked on the report we made to the Congress for the Staggers Act; key staff has worked on the report we made to you before the passage of NERSA.

I say, I have run staffs before, small, competent professional staffs. I believe we can meet our obligations with the pattern that I have laid out there.

ICC APPROVED ABANDONMENTS

Senator ANDREWS. Conrail has filed for the abandonment of over 1,600 of its 17,000 miles of track, I think some 371 line segments. Now, I understand the ICC is granting about two-thirds of these segments and was due to complete their abandonment review during March.

What has been the final result of the Commission's review?

Mr. CRANE. I do not know that I can answer you on the final result. At the present time, some 75 percent of those total track miles have been approved for abandonment. There are, let me say, groups who are served by some of those lines who have protested the abandonments. The NERSA Act provides that they can either offer us a subsidy to continue to operate the lines if they want service, or they can buy the lines at 75 percent of the net liquidation value.

Senator ANDREWS. That is right. Have you received any offers?

Mr. CRANE. Yes, we have, Mr. Chairman. I expect that we are in active negotiation on some 25 or 30 line segments that are involved, and I believe also for the sale at the 75-percent net liquidation value. In addition to that, there are a number of lines on which we have been offered subsidies and we are continuing to operate them on that basis.

Senator ANDREWS. That is your alternative to abandonment?

Mr. CRANE. That is correct, sir.

Senator ANDREWS. I understand that Conrail has also taken a number of steps to reduce unprofitable traffic, such as textiles, brick, and beer. How could beer possibly be an unprofitable traffic? [Laughter.]

SURCHARGE

Has Conrail actually begun assessing surcharges?

Mr. CRANE. Oh, yes, we have. In fact, we have done that prior to the time that I appeared before this committee last year as a result of the freedom provided by the Staggers Act. Of course, one of the reasonings of the Staggers Act, as I understood it, was that if the traffic was not profitable you were permitted to surcharge it in order to move it up to the point where it was sufficiently profitable that you could afford to maintain the service on the line.

Under the NERSA Act, where we can move forward on abandonment, we have not been forced into going through the routine of rais-

ing the price high enough to price ourselves out of the marketplace. But we have improved our profitability. As Mr. Blanchette testified to you, I think that our marketing people are equal or as good as any other marketing people in the railroad industry in the country, and we are doing very, very well in that area.

Now, as you point out, there is a general overall economic decline in our business and I expect that we have lost some volume as a result of that. But there is not any point in handling the volume if it has to be subsidized by the Federal Government.

BOXCAR EXEMPTIONS

Senator ANDREWS. I understand that last summer Conrail petitioned the ICC to exempt its boxcars from regulation, citing trucks as the strongest source of competition for boxcar service. Truckers have been cutting their rates due to reduced traffic levels. However, since faster and more frequent rate increases are now allowed by law, do you still think you need additional deregulation to remain competitive?

Mr. CRANE. We would like to have deregulation of boxcar traffic. The reason for that, as you have pointed out, is that the types of commodities handled in boxcars are the same types of commodities that are handled by the trucks and by the containers.

With the current general downturn in the level of business and the very fierce competitive market that is out there, we would like to have a little bit more freedom to price our boxcar traffic and enter into the marketplace where we think we can make money, and withdraw from the marketplace where we cannot afford it.

SUBMITTED QUESTIONS

Senator ANDREWS. I appreciate your candid comments. We have some more questions for the record.

Senator Chiles, who was unable to be here, has some questions for the record, too, that we appreciate your answering.

Again, thanks to the three of you for coming up. I am glad that things are looking a little brighter today than they were a year ago. But I guess we still have a few concerns that we have to get over the hump, and that is why next year might be interesting.

Mr. CRANE. Thank you, indeed.

[The following questions were not asked at the hearing but were submitted for response for the record:]

Questions Submitted to the Federal Railroad Administration

SELECTION OF INVESTMENT BANKER

Senator Andrews: By June 1983, the Association must determine the profitability of Conrail. It is my understanding that this should be done in conjunction with the investment banker who will be selected to handle the eventual sale of Conrail. What sort of progress has been made to date in selecting an investment banker?

Response: The Secretary of Transportation requested that the General Counsel and FRA make a recommendation to him concerning an investment banker. The General Counsel and FRA reviewed written presentations, visited twice with each potential investment banker candidate and provided a recommendation to the Secretary.

On April 27, 1982, Goldman, Sachs and Company were selected as the investment banker.

SECTION 701 BENEFITS

Senator Andrews: Now that the deadline for filing for the Rail Act's Title VII labor protection benefits has been extended, how many Conrail employees will be eligible for these benefits?

Response: The Railroad Retirement Board has received approximately 3,000 applications for section 701 benefits as of April 21, 1982. Although a certain percentage of the applications received to date will be found to be ineligible, the FRA estimates that benefits will be paid to about 3,000 Conrail employees during FY 1982.

Senator Andrews: If employees qualify for benefits under Title VII, what options do they have in receiving those benefits? Please detail these for the record.

Response: The section 701 benefit schedule issued by the Secretary of Labor provides two basic options: option 1 is a separation allowance, and option 2 is a daily subsistence allowance. An employee who becomes eligible for benefits must select either option 1 or option 2 within 60 days. Employees failing to make an election within 60 days will be paid benefits under option 2, the daily subsistence allowance.

Employees electing the separation allowance must resign their seniority and relinquish all reemployment rights. The separation allowance is $20,000.

Employees electing the option to receive a daily subsistence allowance will retain their seniority rights.

The daily subsistence allowance is $42 per day and the employee's health insurance coverage is continued. Employees electing this option may also receive moving expense reimbursement, and new career training assistance. Under this option, an employee may receive up to $20,000 in total benefits, which would provide for 18 months coverage if the employee is continuously unemployed.

SECTION 701

Senator Chiles: Last year Congress appropriated $85 million for a new Conrail labor protection program to replace the Title V Labor Protection Program. This new program pays up to $25,000 per furloughed employee for those who were Conrail employees in January of 1974. Initially, the program provides protection to those Conrail employees who were previously protected by Title V. How much of the $85 million made available last year has been obligated to date?

Response: The FRA transferred $10 million to the Railroad Retirement Board for section 701 labor protection on January 28, 1982.

Senator Chiles: How many employees have been separated under the program?

Response: As of April 21, 1982, the RRB had paid 136 separation allowances. The RRB has nearly 600 claims that are in the final stage of processing and the Board has informed FRA that they will be requesting a transfer of $20 million prior to April 30.

Senator Chiles: Please describe the need for the additional $20 million requested for 1983 for this program.

Response: The $20 million was requested for FY 1983 to ensure that adequate funding is available to provide benefits to additional employees becoming eligible for 701 protection in FY 1983. A major factor is the transfer of Conrail commuter services and the impact on the 9,600 Conrail employees directly involved. The number of employees transferred will be determined by negotiation, or more likely arbitration, and it is difficult to predict the outcome. In addition, ongoing efforts by Conrail to reduce expenses through consolidation of facilities, light density line abandonments and various efficiency measures will continue to reduce the total work force and make more employees eligible for section 701 benefits. However, we are confident that the $20 million will ensure that benefits flow in a timely manner.

SETTLEMENTS OF RAILROAD LITIGATION SUPPLEMENTAL

Senator Chiles: Is there any interest payments included in the $816 million request? If so, how much? Since there is no outlay impact associated with these funds, because the essential transaction has already occurred, and because the appropriation of $816 million represents only a "bookkeeping nicety," what would be the substantial objection to denying the request for $816 million.

Response: Of the $816 million request, $564 million was principal and $252 million was originally estimated for interest. Both numbers have changed due to actual payments which have occurred. The principal is now $561,147,000, the difference of $3 million less due to the Erie Lackawanna Railroad settlement for $362 million originally estimated at $365 million; and the interest is now $174 million because Treasury stopped accruing interest on August 1, 1981 when the notes for the Penn Central, its subsidiaries and affiliates settlements were paid to Treasury.

Since the Treasury borrows funds from the private market in order for the Secretary of Transportation to pay the settlements, the cost to Treasury of refinancing would rise each year that funds were not appropriated to pay off the debt. By law, Treasury must charge appropriate interest on agency loans. Each year funds are not appropriated, the cost of refinancing the loan increases and contributes to the increase in budget authority. Unless legislative authority is enacted to free the agency from paying the principal and/or interest, the loans would be refinanced indefinitely and the interest payable to Treasury each year would be shown as new budget authority.

COMMUTER SERVICES CORPORATION

Senator Chiles: Last year the Congress appropriated $45 million for the commuter rail program. Under this program local commuter rail agencies were required to decide by April 1, 1982 as to whether they would provide rail services now provided by Conrail or whether they would opt to have Amtrak Commuter Services Corporation (renamed Commuter Services Corporation (CSC) provide it. Conrail is by law required to be out of the passenger rail service business by January 1, 1983. Three of the commuter rail operations involved are SEPTA, the New Jersey Transit Authority (NJ Transit), and the MTA. What other commuter rail agencies are involved?

Response: The Connecticut Department of Transportation (CDOT) and the Maryland Department of Transportation (Md. DOT).

Senator Chiles: What decisions have these various local commuter rail agencies made as to whether they will continue service or whether they will opt to have CSC provide the service?

Response: The following is a summary of the April 1, 1982 intentions of the commuter agencies as indicated by letter to CSC:

SEPTA - intends to contract with CSC for provision of commuter rail service in southeastern Pennsylvania. CSC is providing transition services--developing of accounting systems, transfer of assets from Conrail, labor negotiations. Discussions of relative roles of SEPTA and CSC as to operating responsibilities after transfer are continuing.

Md. DOT - has tentatively indicated that it will negotiate with CSC to provide all services. However, because it is by far the smallest commuter agency affected by NERSA, Md. DOT feels that the viability of CSC is heavily contingent on at least one of the larger commuter authorities also committing to CSC. Consequently, because of the current uncertainty of the ultimate role of CSC, Md. DOT will continue to pursue contract negotiations with Amtrak as an alternative.

NJ Transit, MTA/CDOT - . . .These decisions were predicated on adequate Federal transition funding. The commuter authorities (NJT, MTA/CDOT and SEPTA) have indicated their transition costs will exceed current appropriations. However, DOT has indicated it will support an additional $50-$80 million in funding for this purpose, which we believe will be adequate to meet those requirements. CSC is developing new accounting systems for use by MTA/CDOT as well as SEPTA; NJT is obtaining its accounting systems from other sources. NJT and MTA/CDOT are conducting their own discussions with labor unions.

Senator Chiles: What is the status of $45 million appropriated last year and to whom and to what agencies have payments been made?

Response: Section 1139(b) of NERSA authorized the Department to issue regulations on the distribution and use of these transfer funds. On February 4, 1982, FRA and UMTA jointly issued regulations on an "Emergency Interim Final Rule" basis, with a request for comments within 45 days (47 FR 5227). The interim rule provided a "pre-transfer allocation" of $7.5 million--$4 million to CSC, and $3.5 million to the authorities. The rule allocates the funding among the authorities on a formula basis (based on car miles and revenue passengers), and the balance of the funding would be made available to the authorities over the next three fiscal years. The authorities have submitted comments on that interim rule, and we expect to issue a final rule in the near future that addresses their concerns as to the timing of fund availability.

Of the eligible applicants for transition funding, CSC has applied for and received approximately $1.3 million to cover expenses through June 30, 1982. NJT and SEPTA have also applied for pre-transfer funds; those applications are currently being reviewed by UMTA, and are expected to be approved shortly.

As I have noted, the Department believes the initial $45 million appropriation may be inadequate to assure a successful on-time transfer of Conrail's commuter services, and we are considering additional funding of $50-$80 million for this purpose. We have been engaged in comprehensive discussions with all of the commuter agencies to determine more precisely what additional funding is necessary, and final decisions are expected soon.

Senator Chiles: Does this money continue to be considered as start up costs, or can we expect to receive additional requests for operating subsidies for this program each year?

Response: The Department most definitely considers transition funding to be a one-time only start-up cost. This is a one-time only program, to transfer commuter service responsibility from Conrail to the commuter agencies, which will in turn facilitate the sale of Conrail to the private sector. There will not be recurring requests for additional funding for this program.

It is important to note that these are not operating subsidy funds. As you know, the Administration is firmly committed to phasing out operating assistance for mass transit, and limiting Federal transit assistance to capital projects. Our interim regulations make clear that only those planning and acquisition costs related to the transition are eligible under the program. See, 49 C.F.R. 670.11. Those funds cannot be used to subsidize the operations of commuter rail or other transit operations.

STATUS OF USRA LITIGATION

Senator Chiles: The Administration has recommended $816 million in a 1982 supplemental for settlements of railroad litigation. Please provide information regarding each of the settlements and the dollar amount involved.

Response: Supplemental funding of $816,000,000, was requested for Settlements of Railroad Litigation in FY 1982, for liquidation of the following notes.

However, some of the estimates have changed since the original request. It is also anticipated that two additional closings will occur in the third quarter of FY 1982. These are the Ann Arbor Railroad for approximately $17,700,000 and the Lehigh Valley Railroad for approximately $75,600,000. A table of revised estimates follows:

	Original Request	Revised Estimate
*Penn Central (Interest)	$249,500,000	$174,149,000
*Penn Reading Seashore (Interest)	298,000	298,000
*Dayton Union Railway (Interest)	112,000	112,000
New York and Long Branch (Principal and Interest)	10,986,000	10,990,000
Lehigh and Hudson River (Principal and Interest)	4,025,000	4,025,000
Reading Railroad (Principal)	133,801,000	133,801,000
Philadelphia, Germantown and Norristown (Principal)	11,468,000	11,468,000
Delaware and Bound Brook (Principal)	6,800,000	6,800,000
North Pennsylvania (Principal)	34,004,000	34,004,000
Erie Lackawanna (Principal)	365,000,000	362,003,000
Total	$815,994,000	$737,650,000

Add:

Estimated closings in June 1982:		
Ann Arbor (Principal)	---	$ 17,700,000
Lehigh Valley (Principal)	---	75,600,000
Totals	$815,994,000	$830,950,000
	$816,000,000 (Rounded)	$831,000,000 (Rounded)

A revised Supplemental Request will be submitted following the closing of the Ann Arbor and Lehigh Valley Railroads.

*Principal paid in August 1981 by 1981 Supplemental Appropriations and Rescission Act.

Questions Submitted to the U.S. Railway Association

Q. Senator Andrews. USRA is requesting $75,000 for litigation during fiscal year 1983. Provide for the record a description of the claims outstanding against the remaining bankrupt estates which have not yet been settled.

A. Mr. Berger. The Central Railroad of New Jersey (reorganized as Central Jersey Industries) is the last major transferor with which a settlement in the valuation litigation has not been reached. CNJ claims that, in the absence of the Rail Act, the State of New Jersey would have paid $100 million for CNJ's rail properties. The Government Parties' evidence shows that CNJ's lines had a net liquidation value in 1976 of no more than $20 million. The Special Court has advised the parties to pursue the possibility of settlement; however, it is not possible to predict whether negotiations between CNJ and the Government Parties will be fruitful.

In addition to the Central Railroad of New Jersey, four minor transferors (Lehigh & New England Railroad Company, Allentown Terminal Railroad Company, Bay Shore Connecting Railroad Company, and Ironton Railroad Company) have not as yet settled or agreed in principle to settle their valuation case claims. The combined value claimed by these transferors is less than $3.5 million. The Government Parties' evidence indicates that these properties were worth a total of approximately $1 million at the time of conveyance.

It is expected that the Ironton, which is owned by two transferors that have settled their valuation case claims, will settle with the Government Parties in the near future. We cannot predict when or if the Allentown Terminal (which is partially owned by Central Railroad of New Jersey), Bay Shore, or Lehigh & New England will settle their respective valuation case claims.

Q. Senator Andrews. Your plans assume that possible future phases of the valuation case will not be litigated, that almost all the work involved in preparing the non-rail use brief can be accomplished before the

beginning of fiscal 1983, and that there will be no technical appeals. If any of these events do occur, how do you plan to handle them without additional funding?

A. Mr. Berger. We hope to get by without supplemental funds although our litigation assumptions are admittedly optimistic. We are attempting to maintain a reserve for contingencies of about $300,000 in our fiscal plan for the current year. This would make it possible to take care of some additional litigation expenses next year if that were to become necessary.

Q. Senator Andrews. In order to protect the interests of everyone involved, should Conrail be sold as a single entity or in separate pieces? Provide justification for this.

A. Mr. Berger. I believe that the sale of Conrail as an entity is the most desirable method for the Government to divest itself of its ownership interest in the railroad. The sale of Conrail as a going concern is certainly the best option open to the Government when the full spectrum of rail service needs in the Northeast is examined from the perspective of the consuming public and the shippers, both within and outside the region. The Northeast, while it has historically been losing its market share, is still the industrial heartland of the nation and a major originator of industrial rail shipments. The region is also a substantial consumer of rail transported products from other sections of the country. With its plant sized to meet the traffic needs of the Northeast's producers and consumers, Conrail is and will continue to be a vital link in the prosperity of the region and the nation. The sale of Conrail as an entity would contribute substantially to the stability of the economy of the region.

A piecemeal disposition of Conrail's lines could cause considerable disruption of the Northeast transportation network. Such a course of action would most likely produce a situation in which the "cream" of the Conrail system - the most profitable main lines and best equipment and assets - would be purchased for continued rail use, while the less profitable properties would be sold for nonrail use purposes. The rail system to emerge from a piecemeal disposition could be a hodgepodge of unrelated, unconnected lines that inadequately serve a large number of communities and shippers. It would clearly be in the best interest of the Government to find an acquirer who is capable of running Conrail as a profitable entity.

Q. Senator Andrews. Detail for the record what steps remain to be taken to make Conrail attractive to potential buyers.

A. Mr. Berger. The steps which must be taken to make Conrail attractive to potential buyers include the following:

A. Successful divestiture of the commuter operations on December 31, 1982, as provided in the Northeast Rail Service Act of 1981.

B. A substantial upturn in the economy to revive the industrial complex of the region and the consuming capacity of the region.

C. Full implementation of the revenue and traffic enhancing provisions of the Staggers Act and the Northeast Rail Service Act.

D. Full implementation of the provisions of the Staggers Act and the Northeast Rail Service Act to size the Conrail system to reasonably accommodate the projected traffic levels for the region at a reasonable return to Conrail.

A demonstration by Conrail that it can control costs in the face of adverse economic and traffic conditions.

F. A demonstration by Conrail that costs can continue to be controlled during and after an economic upturn and that Conrail can recover quickly most of the traffic lost during the current economic decline.

G. The input of the investment banker called for by the Northeast Rail Service Act to advise the Government on the most appropriate methodology to structure Conrail's financial picture to attract prospective purchasers.

H. Affirmative determinations by the Association in the profitability tests undertaken by the Association pursuant to the Northeast Rail Service Act of 1981.

Q. Senator Andrews. What will the impact be of not selecting an investment banker within, say, the next few months?

A. Mr. Berger. We have been informed by the Department of Transportation that the selection of an investment banker is imminent. The objective of the Government as expressed in the Northeast Rail Service Act was to divest the Government of Conrail ownership as soon as reasonably possible. The legislation provided for the retaining of an investment banker to assume a major role assisting the Government in this process. Therefore, delay in selecting the investment banker could continue to extend into the future the date on which the Government can divest itself of ownership of Conrail. I am delighted that it now appears that there will not be such a delay.

Q. Senator Chiles. USRA is reporting a $85 million unobligated balance for the end of 1983 in funds for the purchase of Conrail securities. In view of Conrail's profitability and strong cash position, what is the need to maintain the large unobligated balance for purchase of Conrail securities.

A. Mr. Berger. The $84.5 million available for Purchase of Conrail Securities provides a safety net. We do not expect it to be needed but if the economy worsens it might be just what Conrail would need to get us by a period of depressed economic conditions.

Q. Senator Chiles. Please provide for the record USRA's projections of Conrail's profitability for 1982. What was the actual profit in 1981?

A. Mr. Berger. Conrail's actual profit in calendar year 1981 was $39 million on a GAAP (Generally Accepted Accounting Principles) basis (or a $115 million loss on an ICC basis). USRA expects Conrail will reasonably be able to achieve a $190-200 million GAAP profit and a $40-45 million ICC profit during calendar year 1982.

Q. Senator Chiles. What is the size of Conrail's current cash reserve? What are the projected cash reserves for the end of 1982?

A. Mr. Berger. Conrail's cash balance was $392 million on March 31, 1982. Its cash balance is expected to average approximately $400 million for the remainder of this year even without additional proceeds from Tax Benefit Transfers. Conrail's cash balance will be at least $400 million at the end of 1982.

Q. Senator Chiles. Under the original provisions of the 211(h) loan program, Conrail essentially made loans to the several bankrupt railroads to help them meet their liabilities. These loans were to be paid back from the final settlements made to the estates of the railroads. In 1976 the several bankrupt railroads were relieved of the requirement to repay loans made for insurance and health benefits.

This year USRA has requested bill language to reverse that situation and require the estates of the bankrupt railroads to repay the loans made for the purpose of paying the insurance and health benefits of railroad employees. I understand that total amount outstanding for this particular type of 211(h) loan is approximately $25 million.

Specifically, which railroads would be required to repay these loans if the language recommended by USRA is approved by the Congress? How much would each of these railroads be required to repay? For each of the railroads involved, what is the current estimated value of their estates?

A. Mr. Berger. Information on loans covering health and life insurance premiums for retirees follows. USRA does not have information on the current value of the various estates.

Estate	Amount Advanced	Repaid	Amount Due Principal	Amount Due Interest* 9/31/81
Penn Central	18,298,751	--	18,298,751	8,453,105
Reading	891,801	--	891,801	411,967
Erie Lackawanna	3,035,327		3,035,327	1,402,168
Lehigh Valley	807,442		807,442	368,769
Lehigh and Hudson River	100,420		100,420	46,388
Ann Arbor	169,242		169,242	77,231
Central of New Jersey	390,593	390,593	--	--
	23,693,576	390,593	23,302,983	10,759,631

Note: Differences in totals due to rounding.

Q. Senator Chiles. Please provide the Committee with some historical background on the 211(h) program. How many loans have been made? To whom have the various loans been made? For what specific purpose were the loans made? What is the status of loan repayments? Have there been any defaults?

A. Mr. Berger. USRA administers a $350 million revolving loan program under Section 211(h) of the 3R Act which provides for payment of certain obligations of the predecessor roads incurred in the course of providing rail services. As agent for the bankrupt estates, Conrail is authorized to collect outstanding accounts and pay claims arising from operations prior to the conveyance of properties of the predecessor railroads to Conrail on April 1, 1976. As liabilities exceed available assets, Conrail is eligible to borrow up to $350 million from the loan fund. As loans are repaid additional loans may be made up to this ceiling.

Section 211(h) loans are intended to cover pre-conveyance obligations of the estates such as claims by suppliers, claims by shippers, payments to railroads for settlement of interline accounts, employee claims for accrued vacation and wages, employee claims for personal injury or death, amounts required to fund health and life insurance coverage for retired employees, and non-employee claims for personal injury.

For purposes of reporting, each estate's advances may be considered a single loan. The following table shows the amount of advances made to each estate, the accrued interest on advances, the amounts repaid, any shortfall in settlements to date, and the amounts still owed:

15-453 O - 83 - 4

Estate	Amt. Loaned	Int. Accrued	Amount Paid	Shortfall	Still Due
Penn Central	273,171,000	88,042,096	361,213,096	--	1/
Reading	19,008,363	8,408,185	25,945,700	1,470,848	891,801
Erie Lackawanna	51,754,963	25,648,461	10,821,536		66,581,888
Lehigh Valley	9,429,615	5,893,338	--		15,322,954
Lehigh & Hudson River	181,343	105,508	--		286,853
Ann Arbor	456,660	246,066	--		702,728
Central of New Jersey 2/	20,401,401	3,198,562	20,421,593	1,985,586	20,267,693
	374,403,347	131,542,219	418,401,926	3,456,434	104,053,917

1/ Retiree life obligation not shown.
2/ CNJ settled its 211(h) obligations by issuing notes as of 3/31/82:

Principal	20,267,693
Interest	5,534,785

Note: Differences in totals due to rounding.

While there have been no defaults on 211(h) loans, the program has sustained some losses. The table shows losses on two estates that have settled with the Government their 211(h) liability. In addition, the Association has sustained losses because under the terms of settlement the Government accepted notes bearing interest at a rate lower than the Association must pay on the funds it borrows from the Federal Financing Bank. Losses accrued to date on the program amount to approximately $17 million. As noted elsewhere in USRA responses, about $23 million in advances plus $11 million in interest is being disputed by the estates because they do not recognize their liability to repay loans made for health and life insurance premiums of employees who retired prior to conveyance. Any losses under this program will be paid by the Secretary of Transportation who has guaranteed the Association's obligations to the Federal Financing Bank. The Secretary will then have to seek an appropriation in order to repay Treasury for the amount required to discharge his guarantee.

Q. Senator Chiles. The Administration has recommended $816 million in a 1982 supplemental for settlements of railroad litigation. Please provide information regarding each of the settlements and the dollar amount involved. The Committee has been provided information indicating that the Central of New Jersey is the only railroad for which a final settlement has not yet been reached. When is the settlement with this railroad expected? In view of the fact that USRA has requested only $2 million for fiscal year 1983 compared to the program level of $29 million in 1981, will the agency continue to have an adequate work force to complete litigation of the Central of New Jersey case?

A. Mr. Berger. I have been advised that the Federal Railroad Administration will provide the requested information concerning the supplemental appropriation needed for settlements of railroad litigation.

The Central Railroad of New Jersey (reorganized as Central Jersey Industries, Inc.) is the last major transferor with which a settlement in the Valuation Litigation has not been reached. The Special Court has advised the parties to pursue the possibility of settlement; however it is not possible to predict whether negotiations between CNJ and the Government Parties will be fruitful.

In addition to CNJ, three minor transferors (Lehigh & New England Railway Company, Allentown Terminal Railroad Company and Ironton Railroad Company) have not as yet settled their valuation case claims. It is expected that Ironton, which is owned by two transferors that have already entered into settlement agreements with the Government Parties, will settle its claims in the near future. The Association cannot predict if or when the Allentown Terminal (which is partially owned by CNJ) or the Lehigh & New England will settle their valuation case claims. In any event, the litigation or settlement of the claims of the three minor transferors will not divert substantial resources from the CNJ case.

The appropriation requested by USRA for fiscal year 1983 should provide adequate resources for the Association to complete all or substantially all of the litigation of the Central Railroad of New Jersey case. The crucial and most costly of the remaining stages of the litigation (i.e., deposing witnesses and writing briefs) will be completed by the end of this fiscal year. The remaining portions of the case, including oral argument, should be complete by the end of the first quarter of fiscal year 1983.

The Association's budget provides for a law department staff of approximately 21 people on May 1, 1982, declining to 10 people by October 1, 1982. It is expected that the law department will be phased out by January 1, 1983. These planned staffing levels should provide an adequate work force to complete the Central Railroad of New Jersey litigation.

These plans assume that possible future phases of the valuation case, involving compensatory unconstitutional erosion, value of other benefits and valuation allocations will not be litigated. Further, we have not allocated resources to handle technical inquiries from the Court in the post-filing-date period for our non-rail use brief, motions for reconsideration subsequent to the issuance of the Special Court's non-rail use opinion, or to handle Court appeals. If our assumptions concerning the progress of the litigation prove to be overly optimistic, USRA might have to consider the possibility of requesting a supplemental appropriation.

Q. Senator Chiles. The last statutory duty of the USRA is to review the profitability picture of Conrail in October of 1983. Is that correct? Does the agency expect sunset some time in FY 1983? If not, what responsibilities will require the agency to continue its operation in FY 1984?

A. Mr. Berger. USRA's statutory responsibilities carry into the first quarter of FY 1984. The Northeast Rail Service Act of 1981 directs the Association to make a determination as to whether Conrail has been profitable in the period from June 1, 1983 to October 31, 1983. This determination is to be made as soon as possible after the end of the period, hopefully within 30 - 45 days. The Association expects to complete its mission by the end of calendar year 1983.

Questions Submitted to Conrail

Sen. Chiles:

Last year Congress appropriated $85 million for a new Conrail labor protection program to replace the Title V Labor Protection Program. This new program pays up to $25,000 per furloughed employee for those who were Conrail employees in January of 1974. Initially, the program provides protection to those Conrail employees who were previously protected by Title V. How much of the $85 million made available last year has been obligated to date? How may employees have been separated under the program? Please describe the need for the additional $20 million requested for 1983 for this program.

Mr. Crane:

As you are aware, the United States Railraod Retirement Board was charged by the Congress with administering the new Section 701 labor protection. Therefore, all data concerning obligations made to date and the numbers of employees who have received benefits would have to be obtained from the Railroad Retirement Board.

Sen. Chiles:

Last year the Congress appropriated $45 million for the commuter rail program. Under this program local commuter Rail agencies were required to decide by April 1, 1982 as to whether they would provide rail services now provided by Conrail or whether they would opt to have Amtrak provide it. Conrail is by law required to be out of the

passenger rail service business by January 1, 1983. Three of the commuter rail operations involved are SEPTA, the New York Transit Authority, and the MTA. What other commuter Rail Agencies are involved? What decisions have these various local commuter rail agencies made as to whether they will continue service or whether they will opt to have Amtrak provide the service. What is the status of $45 million appropriated last year? To whom and to what agencies have payments been made? Does this money continue to be considered as start up costs, or can we expect to receive additional request for operating subsidies for this program each year.
Mr. Crane:
These issues are best answered by Department of Transporation and it is my understanding that they will be providing an answer.

Senator Andrews:

Provide for the record a list of the top 100 shippers and include the daily volume of Conrail's services used by each.
Mr. Crane:
Please see attached list.

TOP 100 ACCOUNTS

(BASED ON ANNUAL REVENUE)

DAILY AVERAGE CARLOADS

	ACCOUNT	CARLOADS
1.	General Motors	657
2.	Bethlehem Steel	608
3.	Ford Motor	289
4.	National Steel	320
5.	U. S. Steel	209
6.	Chrysler	147
7.	United Parcel Service	306
8.	Jones & Laughlin Steel	148
9.	United States Postal Service	219
10.	Pennsylvania Power & Light	238
11.	DuPont	118
12.	Allied Chemical	117
13.	C & K Coal	123
14.	Proctor & Gamble	126
15.	Conoco	164
16.	Republic Steel	129
17.	Central Soya	86
18.	Armco Steel	107
19.	Potomac Electric Power	96
20.	Hub City Term.	143
21.	Union Carbide	65
22.	Detroit Edison	145
23.	Benjamin Coal	84
24.	Mobil Oil	52
25.	Ontario Hydro	107
26.	Georgia Pacific	67
27.	Exxon	32

28.	Niagara Mohawk Power	79
29.	Cargill	47
30.	Inland Steel	68
31.	Occidental Petroleum	33
32.	Miller Brewing	49
33.	General Foods	47
34.	Wheeling Pittsburgh Steel	86
35.	ITT	59
36.	Agway	43
37.	Cleveland Elec. Illum.	102
38.	U. S. Government	41
39.	Scott Paper	76
40.	Alcoa	35
41.	Anheuser Busch	34
42.	International Paper	52
43.	Archer Daniels Midland	25
44.	A. E. Staley	31
45.	Eastern Gas	89
46.	Hammermill Paper	50
47.	Tidewater Grain	44
48.	St. Regis Paper	44
49.	Owens Illinois	47
50.	Keystone Term.	78
51.	Pillsbury	41
52.	CPC International	23
53.	Delmarva Power & Light	47
54.	Monsanto	25
55.	Pittsburgh Plate Glass	35
56.	Metropolitan Edison	45
57.	Dow Chemical	25
58.	Dart Kraft	31
59.	Kellogg	31
60.	Peabody Coal	112
61.	Tenneco	36
62.	Eastman Kodak	36
63.	General Electric	26
64.	New York State Elec. & Gas	47
65.	FMC	24
66.	Calvert Coal	33
67.	Goodyear Tire	42
68.	Transway International	56
69.	International Salt	39
70.	Champion International	39
71.	International Mineral	35
72.	Trailer Train	52
73.	Weyerhauser	38
74.	Ralston Purina	29
75.	National Pig Serv.	48
76.	Budd	23
77.	Kimberly Clark	33
78.	ITOFCA	49
79.	Diamond Shamrock	19
80.	Stauffer Chemical	17
81.	Northern Indiana Pub. Serv.	69
82.	Reynolds Metals	18

83.	Citizens Gas	43
84.	Sun	18
85.	Olin	21
86.	McDermot	3[illegible]
87.	Nabisco	20
88.	Sears Roebuck	38
89.	Summers Fuel Inc.	26
90.	Martin Marietta	34
91.	Bradford Coal Co.	24
92.	Quaker Oats	28
93.	American Motors	23
94.	Carnation	25
95.	Pickens Mather	60
96.	St. Joe Mineral	35
97.	Springmeier Shipping	39
98.	American President Lines	64
99.	Universal Transpor	12
100.	Sharon Steel	38

Senator Andrews:

Provide a list of all the shippers who will be unable to ship by rail if all of Conrail's abandonments are approved and indicate the amount and type of commodities which will no longer be shipped.

Mr. Crane:

I am attaching a list of the customers who will no longer be able to ship by rail if our abandonments are approved. I should point out that very few, if any, of these businesses will cease to exist after abandonment of their lines. However, they will have to make use of alternative transporation modes which many of them already currently use.

CUSTOMER ABANDONMENT STATUS THROUGH DECEMBER 3, 1981
SORTED BY BRANCH NAME AND MILE POST
CODE: (A)=ABANDON, (B)=ABANDON-MASS. MAY PURCHASE, ( )=RETAIN
SOURCE: SALES SYSTEMS & CONTROLS

CD	BRANCH NAME	MILE POST	COMPANY NAME	ADDRESS	CITY	ST	RDDR	APPRVL DATE	1980 BRANCH LINE ACTIVITY UNITS	TONS	REVENUE
A	ALLENTOWN IND	3.0	WESTERN ELECTRIC	555 UNION BOULEVA	ALLENTOWN	PA	630299	031182	3	60	1,214
A	ALLENTOWN IND	4.0	ALLEN-BETH LUMBER	125 UNION BOULEVA	ALLENTOWN	PA	630299	031182	0	0	0
			ABANDONED CUSTOMER TOTALS FOR BRANCH=ALLENTOWN IND						3	60	$1,214
			COMPLETE CUSTOMER TOTALS FOR BRANCH=ALLENTOWN IND						3	60	$1,214
A	AMHERST QUARRY	0.1	KERR BEVERAGE	1115 MILAND AVE	AMHERST	OH	363600	031182	15	750	9,184
A	AMHERST QUARRY	1.0	UNITED AG SERVICE	C/O JOHN DOHN FOR	AMHERST	OH	363600	031182	25	2,250	10,870
A	AMHERST QUARRY	2.0	SLATAN LUMBER CO	ROUTE 113	SO. AMHERST	OH	363600	031182	6	200	5,277
A	AMHERST QUARRY	2.0	CLEVELAND QUARRY	ROUTE 113	SO. AMHERST	OH	363600	031182	50	3,140	40,740
			ABANDONED CUSTOMER TOTALS FOR BRANCH=AMHERST QUARRY						96	6,340	$81,701
			COMPLETE CUSTOMER TOTALS FOR BRANCH=AMHERST QUARRY						96	6,340	$81,701
A	ATTICA BRANCH	384.0	KOLKO PAPER	936 EXCHANGE ST	ROCHESTER	NY	406442	031182	19	201	10,103
A	ATTICA BRANCH	384.0	NIBLACK FOODS	82 FLINT ST	ROCHESTER	NY	406442	031182	1	50	451
			ABANDONED CUSTOMER TOTALS FOR BRANCH=ATTICA BRANCH						20	251	$10,559
			COMPLETE CUSTOMER TOTALS FOR BRANCH=ATTICA BRANCH						20	251	$10,559
A	AVOCA IND. TR.	1.6	AN-JO-MAR, INC.	P.O. BOX 702	PITTSTON	PA	636244		0	0	0
A	AVOCA IND. TR.	2.1	MITCHELL LUMBER CO	17 GRAVITY STREET	PITTSTON	PA	636244		0	0	0
A	AVOCA IND. TR.	4.1	SCRANTON LITHOGRAPH.	ROCK STREET	PITTSTON	PA	636244		40	2,600	36,721
A	AVOCA IND. TR.	5.6	KERR MCGEE CHEM CORP	YORK AVENUE	AVOCA	PA	636244		3	150	72
			ABANDONED CUSTOMER TOTALS FOR BRANCH=AVOCA IND. TR.						43	2,670	$36,793
			COMPLETE CUSTOMER TOTALS FOR BRANCH=AVOCA IND. TR.						43	2,670	$36,793
A	BALD EAGLE BR.	13.8	CRAIN LUMBER (TT)	P.O. BOX 136	PORT MATILDA	PA	212321	031182	6	218	5,928
			ABANDONED CUSTOMER TOTALS FOR BRANCH=BALD EAGLE BR.						6	218	$5,928
			COMPLETE CUSTOMER TOTALS FOR BRANCH=BALD EAGLE BR.						6	218	$5,928
A	BEDFORD SEC	19.6	GENERAL REFRACTORIES	BEDFORD STREET	CLAYSBURG	PA	212129		78	3,347	66,893
A	BEDFORD SEC	20.3	LEE BERKEY	RD #1	CLAYSBURG	PA	212129		44	2,156	33,624
A	BEDFORD SEC	20.8	SILK BROS.-FROZ FOOD	*OUT OF BUSINESS*	CLAYSBURG	PA	212129		48	2,149	49,826
A	BEDFORD SEC	21.1	ATLANTIC HOMES DIV.	PO BOX 2071	CLAYSBURG	PA	212129		9	619	6,349
A	BEDFORD SEC	21.6	GENERAL REFRACTORIES		SPROUL	PA	212129		337	20,992	278,516
A	BEDFORD SEC	44.9	HEDSTROM COMPANY	SUNNYSIDE ROAD	BEDFORD	PA	212129		206	10,000	192,850
A	BEDFORD SEC	44.9	STANDARD REGISTER CO	SUNNYSIDE ROAD	BEDFORD	PA	212129		157	9,000	113,643
			ABANDONED CUSTOMER TOTALS FOR BRANCH=BEDFORD SEC						879	47,264	$733,147
			COMPLETE CUSTOMER TOTALS FOR BRANCH=BEDFORD SEC						879	47,264	$733,147

CUSTOMER ABANDONMENT STATUS THROUGH DECEMBER 1, 1981
SORTED BY BRANCH NAME AND MILE POST
CODE: (A)=ABANDON, (B)=ABANDON-MAKE, MAY PURCHASE, ( )=RETAIN
SOURCE: SALES SYSTEMS & CONTROLS

CO DE	BRANCH NAME	MILE POST	COMPANY NAME	ADDRESS	CITY	ST	RDBR	APPRVL DATE	1980 BRANCH LINE ACTIVITY UNITS	TONS	REVENUE
A	BELLFONTAIN R T	93.9	CARTEJ LUMBER CO	COUNTY RD 130	BELLEFONTAINE	OH	818147		10	520	6,820
A	BELLFONTAIN R T	93.9	SUPER FOODS INC	COUNTY RD 130	BELLEFONTAINE	OH	810147		934	25,218	537,784
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=BELLFONTAIN R T						944	25,738	$544,604
			COMPLETE CUSTOMER TOTALS FOR BRANCH=BELLFONTAIN R T						944	25,738	$544,604
A	BENTON SEC	0.5	WHIRLPOOL CORP.	UPTON DRIVE	ST. JOSEPH,	MI	535347		167	4,000	116,419
A	BENTON SEC	1.2	MARTIN BROTHERS	P.O.BOX 246	BENTON HARBOR,	MI	535347		46	2,710	32,255
A	BENTON SEC	5.1	84 LUMBER	1875 MEADOWBROOK	BENTON HARBOR,	MI	535347		9	462	4,321
A	BENTON SEC	5.5	CLARK EQUIPMENT CO.	P.O.BOX 547	BENTON HARBOR,	MI	535347		71	2,999	104,297
A	BENTON SEC	6.3	SOUTHERN MICHIGAN CO	2875 PIPESTONE RD	BENTON HARBOR,	MI	535347		135	4,926	63,605
A	BENTON SEC	6.4	CHEVRON CHEMICAL CO.	2997 SOUTH PIPEST	SODUS,	MI	535347		8	621	22,624
A	BENTON SEC	6.7	SODUS COAL CO.	P.O.BOX 65	SODUS,	MI	535347		3	198	2,143
A	BENTON SEC	8.8	WILDERNESS FOODS	4125 SOUTH PIPEST	BENTON HARBOR,	MI	535347		56	2,947	41,593
A	BENTON SEC	14.3	FRUIT HILL INC.	OLD PIPESTONE ROA	EAU CLAIRE,	MI	535347		0	0	0
A	BENTON SEC	14.4	EAU CLAIRE FRUIT EX	P.O.BOX 327	EAU CLAIRE,	MI	535347		30	2,607	22,149
A	BENTON SEC	14.5	EAU CLAIRE LUMBER CO	P.O.BOX 207	EAU CLAIRE,	MI	535347		0	0	0
A	BENTON SEC	14.7	COLLEGE WOOD PRODUCT	GROVE STREET	BERWIEN SPRING	MI	535347		0	0	0
A	BENTON SEC	14.7	EAU CLAIRE PACKING	P.O.BOX 155	EAU CLAIRE,	MI	535347		10	467	5,293
A	BENTON SEC	14.7	FAULKNER FABRICATORS	ROUTE 2 - BOX 443	BERRIEN SPRING	MI	535347		2	34	3,005
A	BENTON SEC	25.7	AREA BUILDING SUPPLY	314 N. FRONT ST.	NILES,	MI	535347		0	0	0
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=BENTON SEC						539	22,011	$417,305
			COMPLETE CUSTOMER TOTALS FOR BRANCH=BENTON SEC						539	22,011	$417,305
A	BRADFORD	16.9	HANLEY BRICK CO	HANLEY DRIVE	LEWIS RUN,	PA	256552	031182	129	583	150,781
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=BRADFORD						129	583	$150,781
			COMPLETE CUSTOMER TOTALS FOR BRANCH=BRADFORD						129	583	$150,781
A	BRANCHPORT	0.9	STANDARD ROOFING	PO BOX 475	LONG BRANCH	NJ	640218	030382	2	50	1,056
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=BRANCHPORT						2	50	$1,056
			COMPLETE CUSTOMER TOTALS FOR BRANCH=BRANCHPORT						2	50	$1,056
A	BRANDYWINE RUN	0.8	DIAMOND STATE SALVAG	14TH & CHURCH STS	WILMINGTON	DE	111263	022382	142	6,557	62,945
A	BRANDYWINE RUN	3.0	CONTAINER CORP OF AM	POB 511	WILMINGTON	DE	111263	022382	730	33,862	628,851
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=BRANDYWINE RUN						872	40,419	$691,796
			COMPLETE CUSTOMER TOTALS FOR BRANCH=BRANDYWINE RUN						872	40,419	$691,796
A	BULL RUN	0.3	VICTORY GLASS	4TH & GASKIL,	JEANETTE,	PA	222290	031182	37	680	14,719
A	BULL RUN	0.7	ELLIOT CORP	NO 4TH STREET	JEANETTE,	PA	222290	031182	2	75	1,241

CUSTOMER ABANDONMENT STATUS THROUGH DECEMBER 1, 1981
SORTED BY BRANCH NAME AND MILE POST
CODE: (A)=ABANDON, (B)=ABANDON-MASS. MAY PURCHASE, ( )=RETAIN
SOURCE: SALES SYSTEMS & CONTROLS

CO DE	BRANCH NAME	MILE POST	COMPANY NAME	ADDRESS	CITY	ST	RDBR	APPRVL DATE	1980 BRANCH LINE ACTIVITY UNITS	TONS	REVENUE
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=BULL RUN						39	755	$17,960
			COMPLETE CUSTOMER TOTALS FOR BRANCH=BULL RUN						39	755	$17,960
A	BURGETTS INDUST	4.2	Z & L LUMBER CO.	ROUTE 18	ATLASBURG	PA	222247	020992	55	2,142	39,924
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=BURGETTS INDUST						55	2,142	$39,924
			COMPLETE CUSTOMER TOTALS FOR BRANCH=BURGETTS INDUST						55	2,142	$39,924
B	BUZZARDS BAY	14.1	TREMONT NAIL CO	15 ELM ST.,	WAREHAM,	MA	414178		0	0	0
B	BUZZARDS BAY	17.7	DHS PACKAGING	RTE 28	ONSET,	MA	414178		22	1,305	22,866
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=BUZZARDS BAY						22	1,305	$22,866
			COMPLETE CUSTOMER TOTALS FOR BRANCH=BUZZARDS BAY						22	1,305	$22,866
A	CALEDONIA BR	39.9	LEROY MACHINE	RT 5	LEROY	NY	484639	031182	101	5,218	44,110
A	CALEDONIA BR	40.1	CURTIS BURNS FOOD	LENT AVE	LEROY	NY	484639	031182	37	2,325	2,886
A	CALEDONIA BR	40.5	WICKS LUMBER	7011 WEST MAIN ST	LEROY	NY	484639	031182	42	1,928	38,992
A	CALEDONIA BR	44.1	WORLD RESOURCES	1600 ANDERSON RD	MCLEAN	VA	484839	031182	279	16,735	132,383
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=CALEDONIA BR						459	26,266	$218,371
			COMPLETE CUSTOMER TOTALS FOR BRANCH=CALEDONIA BR						459	26,266	$218,371
A	CAREY SEC	69.4	M A HOGAN ELEVATOR	16264 ELEVATOR RO	FOREST	OH	008133		0	0	0
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=CAREY SEC						0	0	$0
			COMPLETE CUSTOMER TOTALS FOR BRANCH=CAREY SEC						0	0	$0
A	CARLISLE BRANCH	159.3	WEST SIDE ELEVATOR	VINE STREET	GREENVILLE	OH	818248		17	1,680	18,154
A	CARLISLE BRANCH	167.5	SAVONA FEED & GRAIN	3735 HOLLANDSBURG	GREENVILLE	OH	818248		22	2,209	25,929
A	CARLISLE BRANCH	173.9	KAISER AGRICHEM	US 127	W MANCHESTER	OH	818248		20	1,820	16,747
A	CARLISLE BRANCH	174.0	GENE ROHE INC		W MANCHESTER	OH	818248		5	433	3,773
A	CARLISLE BRANCH	179.0	LANDMARK INC	P.O. BOX 6	LEWISBURG	OH	818248		18	1,728	11,712
A	CARLISLE BRANCH	179.8	HENWOOD FEED SERVICE	211 WESTERN	LEWISBURG	OH	818248		46	2,498	42,467
A	CARLISLE BRANCH	180.0	LEWISBURG CONTAINER		LEWISBURG	OH	818248		0	0	0
A	CARLISLE BRANCH	181.0	IAMS FOODS	P.O. BOX 862	LEWISBURG	OH	818248		15	1,299	13,230
A	CARLISLE BRANCH	181.0	CARL S AKEY & ASSOC.	P.O. BOX 607	LEWISBURG	OH	818248		110	5,445	80,300
A	CARLISLE BRANCH	187.0	DAYTON COATING-CHEM.	10 ELECTRIC STREE	W ALEXANDRIA	OH	818248		2	154	2,500
A	CARLISLE BRANCH	187.5	W ALEXANDRIA GRAIN		W ALEXANDRIA	OH	818248		0	0	0
A	CARLISLE BRANCH	189.7	DAWES LAB (INSOMAR)	RR#2, P.O. BOX 14	W ALEXANDRIA	OH	818248		29	2,561	26,355
A	CARLISLE BRANCH	193.7	FARMERSVILLE GRAIN	#OUT OF BUSINESS	FARMERSVILLE	OH	818248		6	576	6,187
A	CARLISLE BRANCH	199.6	DUPPS INC	548 NO CHERRY STR	GERMANTOWN	OH	818248		11	739	23,118
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=CARLISLE BRANCH						331	21,112	$270,472
			COMPLETE CUSTOMER TOTALS FOR BRANCH=CARLISLE BRANCH						331	21,112	$270,472

CUSTOMER ABANDONMENT STATUS THROUGH DECEMBER 1, 1931
SORTED BY BRANCH NAME AND MILE POST
CODE: (A)=ABANDON, (B)=ABANDON-MASS. MAY PURCHASE, ( )=RETAIN
SOURCE: SALES SYSTEMS & CONTROLS

CO DE	BRANCH NAME	MILE POST	COMPANY NAME	ADDRESS	CITY	ST	RDBR	APPRVL DATE	1980 BRANCH LINE ACTIVITY UNITS	TONS	REVENUE
A	CARTERET EXT 2	0.4	CARTERET LUMBER CO	31 SHAROT ST	CARTERET	NJ	640239	031182	0	0	0
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=CARTERET EXT 2						0	0	$0
			COMPLETE CUSTOMER TOTALS FOR BRANCH=CARTERET EXT 2						0	0	$0
A	CINCINNATI-KAN	247.5	FIBRE DRUM CO	1650 E SHERIDAN	KANKAKEE	IL	323112		12	299	7,505
A	CINCINNATI-KAN	247.5	BODRUM & PEASE CO	1625 DUANE BLVD	KANKAKEE	IL	323112		33	835	7,327
A	CINCINNATI-KAN	248.3	MORTELL CO	550 N HOBBIE AVE	KANKAKEE	IL	323112		126	6,231	57,498
A	CINCINNATI-KAN	248.5	SHIDLER MATERIAL CO	806 E BIRCH	KANKAKEE	IL	323112		0	0	0
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=CINCINNATI-KAN						171	7,365	$72,340
			COMPLETE CUSTOMER TOTALS FOR BRANCH=CINCINNATI-KAN						171	7,365	$72,340
A	CLINTON BRANCH	4.7	S W S INC	SUTTON ROAD	ADRIAN	MI	363640		0	0	0
A	CLINTON BRANCH	8.0	ATLAS FEED & GRAIN	314 SOUTH PEARL	TECUMSEH	MI	363640		0	0	0
A	CLINTON BRANCH	8.0	TECUMSEH PRODUCTS CO	100 PATERSON STRE	TECUMSEH	MI	363640		8	360	19,011
A	CLINTON BRANCH	8.9	R S MOORE & SON LUMB	101 EAST LOGAN	TECUMSEH	MI	363640		1	65	607
A	CLINTON BRANCH	9.0	TECUMSEH TEAM TRACK		TECUMSEH	MI	363640		28	1,565	10,997
A	CLINTON BRANCH	11.5	SMITH DOUGLAS CO	3505 STAIB ROAD	TECUMSEH	MI	363640		2	145	1,649
A	CLINTON BRANCH	12.6	BUDD COMPANY	11700 TECUMSEH	CLINTON	MI	363640		396	15,937	327,433
A	CLINTON BRANCH	13.2	PALLOX INC	PO BOX 619	CLINTON	MI	363640		4	175	5,154
A	CLINTON BRANCH	13.5	CLINTON TEAMTRACK		CLINTON	MI	363640		25	1,295	19,324
A	CLINTON BRANCH	13.5	CLINTON GRAIN CO	4797 CLINTON-MACO	CLINTON	MI	363640		0	0	0
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=CLINTON BRANCH						464	19,542	$384,175
			COMPLETE CUSTOMER TOTALS FOR BRANCH=CLINTON BRANCH						464	19,542	$384,175
A	CLINTON NJ BR.	59.9	ACWAY	19 W MAIN STREET	CLINTON	NJ	630512	020382	1	78	618
A	CLINTON NJ BR.	59.9	FOX LUMBER CO	11 W MAIN STREET	CLINTON	NJ	630512	020382	6	300	5,003
A	CLINTON NJ BR.	59.9	TEAM TRACK CLINTON		CLINTON	NJ	630512	020382	26	1,404	10,703
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=CLINTON NJ BR.						33	1,782	$16,326
			COMPLETE CUSTOMER TOTALS FOR BRANCH=CLINTON NJ BR.						33	1,782	$16,326
A	COL CITY IND	55.1	FARMERS GRAIN & FEED	SOUTH LINE ST	COLUMBIA CITY	IN	313132	030382	62	5,711	94,405
A	COL CITY IND	55.2	COLUMBIA CITY BUILD	414 S. LINE STREE	COLUMBIA CITY	IN	313132	030382	3	153	2,020
A	COL CITY IND	55.9	TESTWORTH LAB	PO BOX 91	COLUMBIA CITY	IN	313132	030382	2	100	1,019
A	COL CITY IND	56.6	HOLMES LUMBER CO	PO BOX 370	COLUMBIA CITY	IN	313132	030382	195	7,116	102,453
A	COL CITY IND	56.6	MORSCHE'S BUILDERS	PO BOX 170	COLUMBIA CITY	IN	313132	030382	34	1,554	19,697
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=COL CITY IND						296	14,634	$219,682
			COMPLETE CUSTOMER TOTALS FOR BRANCH=COL CITY IND						296	14,634	$219,682

CUSTOMER ABANDONMENT STATUS THROUGH DECEMBER 1, 1981
SORTED BY BRANCH NAME AND MILE POST
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SOURCE: SALES SYSTEMS & CONTROLS

CODE	BRANCH NAME	MILE POST	COMPANY NAME	ADDRESS	CITY	ST	RDBR	APPRVL DATE	1980 BRANCH LINE ACTIVITY UNITS	TONS	REVENUE
A	COLS-CHGO ML	231.4	DENHAM AGRICULTURAL	BOX 7	DENHAM	IN	833107	031182	3	255	1,231
A	COLS-CHGO ML	237.3	GLENMARK INDUSTRIES	RFD 1 HWY 10 WEST	N JUDSON	IN	833107	031182	1	16	177
A	COLS-CHGO ML	237.3	CRAVENS INSULATION	BOX 157	N JUDSON	IN	833107	031182	2	100	940
A	COLS-CHGO ML	237.3	RICH GUMZ FARMS	BOX 158	N JUDSON	IN	833107	031182	9	507	3,234
A	COLS-CHGO ML	237.3	NOR WAYNE LUMBER	301 MAIN ST	N JUDSON	IN	833107	031182	14	676	7,676
A	COLS-CHGO ML	237.3	N JUDSON LUMBER CO	625 LANE ST	N JUDSON	IN	833107	031182	3	114	1,632
A	COLS-CHGO ML	237.3	SMOLEN BROS GRAIN	RFD 1	N JUDSON	IN	833107	031182	2	202	2,239
A	COLS-CHGO ML	246.6	LA CROSSE GRAIN	P.O. BOX 354	LA CROSSE	IN	833107	031182	0	0	0
A	COLS-CHGO ML	253.0	CARGILL ELEVATOR	P.O. BOX 430	KOUTS	IN	833107	031182	3	229	1,692
A	COLS-CHGO ML	253.3	MERIT STEEL CO	P.O. BOX 386	KOUTS	IN	833107	031182	160	10,912	57,004
A	COLS-CHGO ML	258.0	CARGILL INC	812 SOUTH-250 WES	AYLESWORTH	IN	833107	031182	27	2,631	22,525
A	COLS-CHGO ML	267.0	INDIANA FARM BUREAU	GENERAL DELIVERY	LEROY	IN	833107	031182	17	1,587	12,199
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=COLS-CHGO ML						241	17,231	$110,819
			COMPLETE CUSTOMER TOTALS FOR BRANCH=COLS-CHGO ML						241	17,231	$110,819
A	COLS-INDPL ML	23.0	TROTWOOD FARM EXCHAN	8 BROADWAY	TROTWOOD	OH	818214	031182	0	0	0
A	COLS-INDPL ML	28.8	U S CORRUGATED BOX	*OUT OF BUSINESS*	BROOKVILLE	OH	818214	031182	0	0	0
A	COLS-INDPL ML	29.0	HAMIEL & SON #1	115 MULBERRY STRE	BROOKVILLE	OH	818214	031182	0	0	0
A	COLS-INDPL ML	29.3	BROOKVILLE LUMBER	115 JEFFERSON STR	BROOKVILLE	OH	818214	031182	0	0	0
A	COLS-INDPL ML	29.3	H R HOLPE	500 HAY AVENUE	BROOKVILLE	OH	818214	031182	0	0	0
A	COLS-INDPL ML	29.3	VINDALE CORP	600 ALBERT RD	BROOKVILLE	OH	818214	031182	0	0	0
A	COLS-INDPL ML	29.5	HAMIEL & SON #2	11596 UPPER SALEM	BROOKVILLE	OH	818214	031182	0	0	0
A	COLS-INDPL ML	44.2	OHIO FARMERS GRAIN	100 S. MAIN STREE	ELDORADO	OH	818214	031182	29	2,610	14,050
A	COLS-INDPL ML	129.0	CARTER LUMBER CO	RT 40 WEST	CENTERVILLE	IN	838206		11	455	1,593
A	COLS-INDPL ML	133.1	FARMERS GRAIN CO	RT 40	GERMANTOWN	IN	838206		22	2,193	19,839
A	COLS-INDPL ML	134.0	LEE CYLINDER	P.O. BOX 287	CAMBRIDGE CITY	IN	838206		0	0	0
A	COLS-INDPL ML	134.6	BERTSCH COMPANY	2 E. CHURCH STREE	CAMBRIDGE CITY	IN	838206		0	0	0
A	COLS-INDPL ML	158.0	AMERICAN OIL CO	P.O. BOX 98	CHARLOTTSVILLE	IN	838206		144	14,042	126,676
A	COLS-INDPL ML	158.7	HANCOCK COUNTY FARM	P.O. BOX 35	CHARLOTTSVILLE	IN	838206		47	4,[illegible]30	52,400
A	COLS-INDPL ML	167.0	ROLL COATER INC	E NATIONAL RD	GREENFIELD	IN	838206		0	0	0
A	COLS-INDPL ML	167.2	HANCOCK COUNTY FARM	230 ' OSAGE ST	GREENFIELD	IN	838206		0	0	0
A	COLS-INDPL ML	170.0	CARTER LUMBER CO	W NATIONAL RD	GREENFIELD	IN	838206		4	180	1,795
A	COLS-INDPL ML	170.9	64 LUMBER CO	ROUTE 40	GREENFIELD	IN	838206		18	828	10,150
A	COLS-INDPL ML	174.1	GEM ELEVATOR	P.O. BOX 318	GEM	IN	838206		2	165	1,355
A	COLS-INDPL ML	176.8	CUMBERLAND LUMBER CO	230 S MEUSING RD	CUMBERLAND	IN	838206		16	800	8,683
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=COLS-INDPL ML						293	25,993	$236,443
			COMPLETE CUSTOMER TOTALS FOR BRANCH=COLS-INDPL ML						293	25,993	$236,443
A	COLUMBIA IND	30.5	PENNA MALLEABLE IRON		LANDISVILLE	PA	130337		0	0	0
A	COLUMBIA IND	31.1	J C SNAVELY & SONS	150 MAIN STREET	LANDISVILLE	PA	130337		83	3,700	71,022
A	COLUMBIA IND	31.1	HOFFMAN SEEDS INC		LANDISVILLE	PA	130337		6	231	5,816
A	COLUMBIA IND	32.0	AMHERST INDUSTRIES		LANDISVILLE	PA	130337		164	4,428	70,066
A	COLUMBIA IND	38.0	I T T GRINNELL CORP	1411 LANCASTER AV	COLUMBIA	PA	130337		420	21,952	237,350
A	COLUMBIA IND	38.5	COLONIAL METALS	217 LINDEN ST	COLUMBIA	PA	130337		0	0	0
A	COLUMBIA IND	38.6	FRANK SAND SALVAGE	11TH ST & LANCAST	COLUMBIA	PA	130337		66	3,150	32,65[illegible]
A	COLUMBIA IND	39.7	GORDON WASTE CO	104 LOCUST ST	COLUMBIA	PA	130337		0	0	0

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CO DE	BRANCH NAME	MILE POST	COMPANY NAME	ADDRESS	CITY	ST	ROCR	APPRVL DATE	----1980 BRANCH LINE ACTIVITY----- UNITS	TONS	REVENUE
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=COLUMBIA IND						739	33,663	$425,703
			COMPLETE CUSTOMER TOTALS FOR BRANCH=COLUMBIA IND						739	33,663	$425,703
A	CONNERSVILLE	68.0	COHEN BROTHERS SCRAP CO	FIRST ST	CONNERSVILLE	IN	838345 011182		144	6,768	$6,400
A	CONNERSVILLE	69.0	DESIGN & MFG	2000 N ILLINOIS	CONNERSVILLE	IN	838345 011182		1,269	22,334	$38,978
A	CONNERSVILLE	71.0	FORD AEROSPACE & COM	ST ROUTE 1 NORTH	CONNERSVILLE	IN	838345 011182		835	15,826	$34,666
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=CONNERSVILLE						2,248	44,928	$1,838,044
			COMPLETE CUSTOMER TOTALS FOR BRANCH=CONNERSVILLE						2,248	44,928	$1,838,044
A	CORTLAND SEC	212.0	ASHAY INC	BOX 269 RAILROAD	WHITNEY POINT	NY	476251		69	4,103	$5,563
A	CORTLAND SEC	212.0	KOPPERS CO		WHITNEY POINT	NY	476251		3	245	2,931
A	CORTLAND SEC	217.8	KILLAWOG WOOD MILLS	BOX 68	KILLAWOG	NY	476252		25	1,510	32,673
A	CORTLAND SEC	220.7	GRUMMAN BOAT	SEVEN SOUTH STREE	MARATHON	NY	476251		103	545	$3,010
A	CORTLAND SEC	220.9	ASHAY INC	BOX 486 MAIN ST	MARATHON	NY	476251		12	734	21,470
A	CORTLAND SEC	234.0	GUTCHESS LUMBER	PO BOX 192	CORTLAND	NY	476251		13	509	14,553
A	CORTLAND SEC	234.0	BICKBEE MEARS	PO BOX 189	CORTLAND	NY	476251		10	550	12,520
A	CORTLAND SEC	234.2	ASHAY INC	45 EAST COURT ST	CORTLAND	NY	476251		93	5,210	$5,000
A	CORTLAND SEC	234.7	OVERHEAD DOOR OF NEW	ROUTE 281 WEST RO	S CORTLAND	NY	476251		31	1,200	31,213
A	CORTLAND SEC	234.7	CANFORD MFG CO	PO BOX 1247	CORTLAND	NY	476251		8	624	11,486
A	CORTLAND SEC	234.8	ROUNDHOUSE MILLS	41 ELM STREET	CORTLAND	NY	476251		81	4,439	97,263
A	CORTLAND SEC	235.0	BREWER TITCHENER CO	111 FORT MATSON S	CORTLAND	NY	476251		0	0	0
A	CORTLAND SEC	236.8	BRADEN-ROBESON	PO BOX 210	HOMER	NY	476251		16	752	14,975
A	CORTLAND SEC	237.4	R H MILLER	PO BOX 350 STEELS	HOMER	NY	476251		66	1,977	57,409
A	CORTLAND SEC	237.4	BERRY MOBILE MILLING	7 CORTLAND STREET	HOMER	NY	476251		31	1,934	42,649
A	CORTLAND SEC	237.4	ASHAY INC	PO BOX A	HOMER	NY	476251		75	4,681	98,404
A	CORTLAND SEC	237.7	MONK'S EXPRESS	PO BOX 333	HOMER	NY	476251		10	120	10,169
A	CORTLAND SEC	249.1	TRUE VALUE HOME	GENERAL DELIVERY	TULLY	NY	476251		5	248	3,594
A	CORTLAND SEC	249.1	ASHAY INC	20 ONONDAGA STREE	TULLY	NY	476251		57	3,824	32,704
A	CORTLAND SEC	251.7	NEW WOODSTOCK MILL	*OUT OF BUSINESS*	NEW WOODSTOCK	NY	476251		0	0	0
A	CORTLAND SEC	256.8	SEVERAL		SYRACUSE	NY	476251		3	134	4,137
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=CORTLAND SEC						712	33,522	$768,389
			COMPLETE CUSTOMER TOTALS FOR BRANCH=CORTLAND SEC						712	33,522	$768,099
A	CRESSON SEC	54.5	CLOE LUMBER	RD#2	PUNXSUTAWNEY	PA	218135 022302		12	497	9,747
A	CRESSON SEC	56.5	KURTZ LBR	600 E MAHONING ST	PUNXSUTAWNEY	PA	218135 022302		0	0	0
A	CRESSON SEC	56.5	SEASONALL ALUMINUM	1480 RTE 119S	INDIANA	PA	218135 022302		10	147	6,509
A	CRESSON SEC	57.4	MAHONING VALLEY MILL	INDIANA ST	PUNXSUTAWNEY	PA	218135 022302		5	177	2,972
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=CRESSON SEC						27	821	$18,320
			COMPLETE CUSTOMER TOTALS FOR BRANCH=CRESSON SEC						27	821	$18,320
A	D D & D BRANCH	0.6	DARLING & COMPANY	3350 GREENFIELD	MELVINDALE,	MI	525249 022302		32	1,824	45,357

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			ABANDONNED CUSTOMER TOTALS FOR BRANCH=D D & D BRANCH						32	1,024	$45,357
			COMPLETE CUSTOMER TOTALS FOR BRANCH=D D & D BRANCH						32	1,024	$45,357
A	DAYTON WATERBO	43.0	T&M AGRICO SERVICES	OAK STREET	S. DAYTON,	NY	246451		17	1,043	19,913
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=DAYTON WATERBO						17	1,043	$19,913
			COMPLETE CUSTOMER TOTALS FOR BRANCH=DAYTON WATERBO						17	1,043	$19,913
A	DAYTON-WATERBO	42.7	AUSTIN MILLING	MILLS ST	S DAYTON,	NY	246451		144	10,512	140,460
A	DAYTON-WATERBO	43.0	CARNATION	FIRST AVE	S. DAYTON,	NY	246451		461	20,050	563,750
A	DAYTON-WATERBO	43.0	C.B. FOODS	MECHANIC ST	S. DAYTON,	NY	246451		9	414	8,041
A	DAYTON-WATERBO	43.1	FROST BUILDERS	DEPOT STREET	CHERRY CREEK,	NY	246451		2	77	1,574
A	DAYTON-WATERBO	48.1	ADWAY INC.	SO. SIDE AVENUE	CHERRY CREEK,	NY	246451		20	1,019	16,133
A	DAYTON-WATERBO	52.2	CONEHANGO VALLEY MIL	ROUTE 62	CONEHANGO,	NY	246451		58	3,253	62,890
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=DAYTON-WATERBO						694	43,305	$792,796
			COMPLETE CUSTOMER TOTALS FOR BRANCH=DAYTON-WATERBO						694	43,305	$792,796
B	DEAN ST. INDUS	0.1	GALLO, INC.	P.O. BOX 443	SAGAMORE,	MA	4141A1		19	19,884	209,060
B	DEAN ST. INDUS	0.1	NEWTON FOODS, INC	8 INDALL ST.	TAUNTON,	MA	4141A1		16	990	36,634
B	DEAN ST. INDUS	0.1	METALS RECYCLING CO.	65 INDALL ST	TAUNTON,	MA	4141A1		0	0	0
B	DEAN ST. INDUS	1.0	JAMES C. GOFF OF TAU	40 DEAN ST.	TAUNTON,	MA	4141A1		3	480	9,107
B	DEAN ST. INDUS	1.4	VENTURA GRAIN CO.,IN	140 LONGMEADOW RD	TAUNTON,	MA	4141A1		280	10,645	256,570
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=DEAN ST. INDUS						501	31,979	$512,179
			COMPLETE CUSTOMER TOTALS FOR BRANCH=DEAN ST. INDUS						501	31,979	$512,179
A	DETR. BELT LINE	2.9	MICH BAKERY SUPPLY	3061 BELLEVUE	DETROIT	MI	525245 031182		13	504	9,335
A	DETR. BELT LINE	3.0	FORMAX MFG. CO.	3173 BELLEVUE	DETROIT	MI	525245 031182		5	252	3,921
A	DETR. BELT LINE	3.2	LOPAIRE PAPER & THINE	2971 BELLEVUE	DETROIT	MI	525245 031182		11	360	4,535
A	DETR. BELT LINE	3.4	TRIAD METALS, INC.	2841 BELLEVUE	DETROIT	MI	525245 031182		0	0	0
A	DETR. BELT LINE	4.1	J W COLE & SONS	435 BELLEVUE	DETROIT	MI	525245 031182		0	0	0
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=DETR. BELT LINE						29	1,124	$17,811
			COMPLETE CUSTOMER TOTALS FOR BRANCH=DETR. BELT LINE						29	1,124	$17,811
B	DIGHTON IND TR	0.1	NU-BRITE CHEMICAL CO	10 FIRST ST.	TAUNTON,	MA	414195 031182		19	760	13,243
B	DIGHTON IND TR	0.1	CHURCH FUEL CO., INC	494 WEIR ST.	TAUNTON,	MA	414195 031182		0	0	0
B	DIGHTON IND TR	0.5	RUEPING-EAST, INC.	491 WATER ST.	TAUNTON,	MA	414195 031182		0	0	0
B	DIGHTON IND TR	1.0	LYNN PRODUCTS CO	400 BOSTON ST.	LYNN	MA	414195 031182		13	611	11,321
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=DIGHTON IND TR						32	1,371	$24,564
			COMPLETE CUSTOMER TOTALS FOR BRANCH=DIGHTON IND TR						32	1,371	$24,564

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A	DIX (C)	27.5	DEP. OF DEFENSE		FT. DIX,	NJ	111164		12	228	12,446
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=DIX (C)						12	228	$12,446
			COMPLETE CUSTOMER TOTALS FOR BRANCH=DIX (C)						12	228	$12,446
A	DUFF RUNNING T	112.9	DAVIESS COUNTY NITRO	400 WEST WALNUT S	WASHINGTON,	IN	838365	031182	3	185	11,969
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=DUFF RUNNING T						3	185	$11,969
			COMPLETE CUSTOMER TOTALS FOR BRANCH=DUFF RUNNING T						3	185	$11,969
A	E BRADLEY BR	1.5	ROPER OUTDOOR PROD	BROADWAY & SCHUYL	BRADLEY	IL	323124	022382	8	104	5,904
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=E BRADLEY BR						8	104	$5,904
			COMPLETE CUSTOMER TOTALS FOR BRANCH=E BRADLEY BR						8	104	$5,904
A	E BRADY BR		EX HIDE CO	*OUT OF BUSINESS*	E BRADY	PA	232330	031182	0	0	0
A	E BRADY BR		BRADY LUMBER CO	P.O. BOX 330	E BRADY	PA	232330	031182	0	0	0
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=E BRADY BR						0	0	$0
			COMPLETE CUSTOMER TOTALS FOR BRANCH=E BRADY BR						0	0	$0
A	E COLUMBUS BR	2.1	SANDUSKY BUILD SUPPL	3540 E MAIN ST	COLUMBUS	OH	818149	030382	26	1,675	10,735
A	E COLUMBUS BR	2.1	COTTON LUMBER CO	3500 E MAIN ST	COLUMBUS	OH	818149	030382	85	4,165	56,610
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=E COLUMBUS BR						111	5,840	$67,345
			COMPLETE CUSTOMER TOTALS FOR BRANCH=E COLUMBUS BR						111	5,840	$67,345
A	E L DOCK LINE	0.5	BENMAN CO	MAIN ST	N TONAWANDA	NY	484861				
A	E L DOCK LINE	0.6	AE GOMBERT LUMBER	61 ISLAND	N TONAWANDA	NY	484861		17	139	8,265
A	E L DOCK LINE	1.2	KOPPERS CO	940 RIVER RD	N TONAWANDA	NY	484861		15	513	8,372
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=E L DOCK LINE						220	7,465	150,355
			COMPLETE CUSTOMER TOTALS FOR BRANCH=E L DOCK LINE						252	8,117	$166,992
									252	8,117	$166,992
A	E TRENTON IND	36.0	WESTINGHOUSE ELEC CO	400 PENNINGTON RD	TRENTON	NJ	110348	031182	0	0	0
A	E TRENTON IND	36.2	HILL REFRIGERATION	360 PENNINGTON RD	TRENTON	NJ	110348	031182	0	0	0
A	E TRENTON IND	36.4	FARMERS COOP	550 W INGHAM AVE	TRENTON	NJ	110348	031182	0	0	0
A	E TRENTON IND	36.5	MORRIS WHEELER	82 STOKES ST	TRENTON	NJ	110348	031182	0	0	0
A	E TRENTON IND	36.7	C & R WASTE	BEAKES ST	TRENTON	NJ	110348	031182	0	0	0
A	E TRENTON IND	36.8	STANLEY STEEL	CALHOUN ST	TRENTON	NJ	110348	031182	0	0	0
A	E TRENTON IND	37.5	YORK SUPPLY	532 MULBERRY ST	TRENTON	NJ	110348	031182	6	399	3,020
A	E TRENTON IND	37.6	N J PORCELAIN	PLUM ST	TRENTON	NJ	110348	031182	0	0	0
A	E TRENTON IND	37.7	PLIBRICO	*OUT OF BUSINESS*	TRENTON	NJ	110348	031182	37	1,566	28,605
A	E TRENTON IND	38.0	HYDRO-CARBON RESEARC	NEW YORK AVE	TRENTON	NJ	110348	031182	0	0	0
						NJ	110348	031182	5	249	3,739

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A	E TRENTON IND	38.6	HUB CITY DIST	649 WHITEHALL RD	TRENTON	NJ	110348	031182	260	10,244	172,391
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=E TRENTON IND						308	12,456	$207,665
			COMPLETE CUSTOMER TOTALS FOR BRANCH=E TRENTON IND						308	12,456	$207,665
A	E&N IND	83.7	PENN PUMP-ENERGY SER		COILTON	PA	630513		0	0	0
A	E&N IND	83.8	NORTHAMPTON FARM BUR	300 BUSHHILL AVEN	TATAMY	PA	630513		30	1,980	27,272
A	E&N IND	86.2	EQUIPTO CORP	MAIN STREET	TATAMY	PA	630513		2	90	3,383
A	E&N IND	86.8	PFG INDUSTRIES	PO BOX 348	STOCKERTOWN	PA	630513		44	3,113	80,440
A	E&N IND	87.0	PEOPLES LUMBER & SUP	CENTER STREET	STOCKERTOWN	PA	630513		0	0	0
A	E&N IND	87.4	LEHIGH VALLEY FEG CO	RTE 191 & 33	STOCKERTOWN	PA	630513		26	468	20,001
A	E&N IND	87.5	FAIRBANKS WEIGHING	RTE 191 & 33	STOCKERTOWN	PA	630513		0	0	0
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=E&N IND						102	5,653	$131,096
			COMPLETE CUSTOMER TOTALS FOR BRANCH=E&N IND						102	5,653	$131,096
A	EATON RAPIDS R	23.6	GREEN BAY FOODS	MARLIN ST	EATON RAPIDS	MI	535340		0	0	0
A	EATON RAPIDS R	24.8	LONG BEAN & GRAIN CO	728 MONTGOMERY	EATON RAPIDS	MI	535340		183	16,750	237,600
A	EATON RAPIDS R	24.8	MICHIGAN PACKAGING	223 N MAIN ST	EATON RAPIDS	MI	535340		643	28,935	353,650
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=EATON RAPIDS R						826	45,685	$591,250
			COMPLETE CUSTOMER TOTALS FOR BRANCH=EATON RAPIDS R						826	45,685	$591,250
A	ELMIRA IND	2.3	KNITTLE & FRY	2101 GREEN AVENUE	HEFBURNEVILLE	PA	232317	022382	19	760	15,660
A	ELMIRA IND	4.2	STROEHMAN'S	3375 LYCOMING CRK	HEFBURNEVILLE	PA	232317	022382	0	0	0
A	ELMIRA IND	4.2	MOORES	3365 LYCOMING CRK	HEFBURNEVILLE	PA	232317	022382	7	350	6,300
A	ELMIRA IND	5.3	AMERICAN LUMBER	3301 LYCOMING CRK	HEFBURNEVILLE	PA	232317	022382	47	2,350	37,600
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=ELMIRA IND						73	3,460	$59,560
			COMPLETE CUSTOMER TOTALS FOR BRANCH=ELMIRA IND						73	3,460	$59,560
A	ENTERPRISE	0.4	LEMONDE CHEMICAL CO	1600 NEW YORK AVE	TRENTON	NJ	111456	031182	0	0	0
A	ENTERPRISE	0.6	NATL CERAMICS	500 SOUTHARD ST	TRENTON	NJ	111456	031182	4	192	4,300
A	ENTERPRISE	0.8	GIORDANO WASTE CO	526 NEW YORK AVE	TRENTON	NJ	111456	031182	16	1,460	17,398
A	ENTERPRISE	1.3	DELUXE DESIGN	930 NEW YORK AVE	TRENTON	NJ	111456	031182	0	0	0
A	ENTERPRISE	1.4	F & W SCRAP CO	461 NEW YORK AVE	TRENTON	NJ	111456	031182	0	0	0
A	ENTERPRISE	1.8	FIBRICO	*OUT OF BUSINESS*	TRENTON	NJ	111456	031182	0	0	0
A	ENTERPRISE	2.1	BAILEY MILLWORK INC	125 SLACK AVE	TRENTON	NJ	111456	031182	0	0	0
A	ENTERPRISE	2.6	PARK LANE FURNITURE	LAWRENCE SHOP CEN	TRENTON	NJ	111456		0	0	0
A	ENTERPRISE	3.6	METAL LITHO INT	6 LITHO RD	TRENTON	NJ	111456		22	1,193	34,778
A	ENTERPRISE	4.0	FLAGSTAFF FOODS	4 LITHO RD	TRENTON	NJ	111456		0	0	0
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=ENTERPRISE						42	2,845	$56,476
			COMPLETE CUSTOMER TOTALS FOR BRANCH=ENTERPRISE						42	2,845	$56,476

CUSTOMER ABANDONMENT STATUS THROUGH DECEMBER 1, 1981
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CO DE	BRANCH NAME	MILE POST	COMPANY NAME	ADDRESS	CITY	ST RDBR	APPRVL DATE	1980 BRANCH LINE ACTIVITY UNITS	TONS	REVENUE
A	ERIE - WARREN	3.9	VAN DE KAMP FOODS	2200 E 38TH STREE	ERIE	PA 232315	030582	0	0	0
A	ERIE - WARREN	3.9	GENERAL ELECTRIC CO	3106 MCCAIN AVENU	ERIE	PA 232315	030582	1	27	550
A	ERIE - WARREN	18.2	AGWAY INC.	DEPOT ROAD, RD#1	WATERFORD	PA 232315	030582	0	0	0
A	ERIE - WARREN	18.2	E L HEARD & SONS	DEPOT ROAD, RD#1	WATERFORD	PA 232315	030582	4	188	2,716
A	ERIE - WARREN	24.3	ERIE-CRAWFORD DAIRY	ROUTE 97	UNION CITY	PA 232315	030582	61	3,729	70,410
A	ERIE - WARREN	25.2	AGWAY FERTILIZER CO	W HIGH EXTENSION	UNION CITY	PA 232315	030582	244	11,625	143,455
A	ERIE - WARREN	25.2	UNION CITY CO-OP	W HIGH EXTENSION	UNION CITY	PA 232315	030582	7	273	2,899
A	ERIE - WARREN	26.6	UNION CITY CHAIR	18 MARKET STREET	UNION CITY	PA 232315	030582	30	195	20,032
A	ERIE - WARREN	36.3	CARNATION MILK CO	165 RAILROAD ST	CORRY	PA 232315	030582	0	0	0
A	ERIE - WARREN	36.3	HAMMOND ELEVATOR CO	234 W WASHINGTON	CORRY	PA 232315	030582	0	0	0
A	ERIE - WARREN	36.3	ROGERS STRULT. STEEL	256 EAGLE STREET	CORRY	PA 232315	030582	43	1,966	25,826
A	ERIE - WARREN	36.4	DOWELL COMPANY	W MAIN STREET	CORRY	PA 232315	030582	208	17,500	162,598
A	ERIE - WARREN	36.9	COOPER ENERGY	19 N CENTER STREE	CORRY	PA 232315	030582	6	212	1,782
A	ERIE - WARREN	37.2	MCINNIS STEEL CO.TS	441 E MAIN STREET	CORRY	PA 232315	030582	4	226	5,962
A	ERIE - WARREN	37.2	AGWAY INC.	129 PENNA. AVENUE	CORRY	PA 232315	030582	7	368	3,677
A	ERIE - WARREN	38.2	CORRY FOAM PRODUCTS	SHADY LANE	CORRY	PA 232315	030582	161	9,135	192,701
A	ERIE - WARREN	38.9	THOMPSON MAPLE PROD	SAMPLE FLATS RD R	CORRY	PA 232315	030582	0	0	0
A	ERIE - WARREN	59.5	NATIONAL FORGE CO	FRONT STREET	IRVINETON	PA 232315	030582	333	21,962	345,544
A	ERIE - WARREN	63.0	WARREN CAR CO	ROUTE #6	STARBRICK	PA 232315	030582	24	475	10,799
A	ERIE - WARREN	63.7	CARTER LUMBER CO	ROUTE #6	STARBRICK	PA 232315	030582	15	665	12,143
A	ERIE - WARREN	64.3	PENNA. ELECTRIC CO	ROUTE #6	STARBRICK	PA 232315	030582	0	0	0
A	ERIE - WARREN	65.2	STRUTHERS WELLS CORP	1003 PENNA. AVENU	WARREN	PA 232315	030582	56	3,203	204,993
A	ERIE - WARREN	65.2	PENNCO INDUSTRIES	MAIN ST	CLARENDON	PA 232315	030582	0	0	0
A	ERIE - WARREN	66.4	SENECA LUMBER CO	422 CRESCENT PARK	WARREN	PA 232315	030582	1	33	525
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=ERIE - WARREN					1,205	71,925	$1,206,628
			COMPLETE CUSTOMER TOTALS FOR BRANCH=ERIE - WARREN					1,205	71,925	$1,206,628
A	EXPOSITION SPUR	1.3	ADMIRAL CHROME CORP	241 POST	DETROIT	MI 525251	020982	6	49	4,103
A	EXPOSITION SPUR	1.5	MODERN MATERIALS CO	301 SOUTH GREEN	DETROIT	MI 525251	020982	2	62	1,040
A	EXPOSITION SPUR	1.5	A&A SCRAP IRON & MET	201 SOUTH POST	DETROIT	MI 525251	020982	34	2,074	24,424
A	EXPOSITION SPUR	1.6	MCALEER MANUFACTURIN	101 SOUTH WATERMA	DETROIT	MI 525251	020982	5	283	4,480
A	EXPOSITION SPUR	1.8	MCLOUTH STEEL CORP	300 SOUTH LIVERNO	DETROIT	MI 525251	020982	64	3,913	75,421
A	EXPOSITION SPUR	1.9	PEERLESS METAL POWDE	124 SOUTH MILITAR	DETROIT	MI 525251	020982	43	2,451	23,435
A	EXPOSITION SPUR	2.2	EDWARD H DUFFY & CO	5840 WEST JEFFERS	DETROIT	MI 525251	020982	0	0	0
A	EXPOSITION SPUR	2.2	WAYNE SCRAP IRON CO	5822 WEST JEFFERS	DETROIT	MI 525251	020982	5	345	7,064
A	EXPOSITION SPUR	2.3	REVERE COOPER & BRAS	5851 WEST JEFFERS	DETROIT	MI 525251	020982	27	1,838	27,679
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=EXPOSITION SPUR					186	11,015	$167,741
			COMPLETE CUSTOMER TOTALS FOR BRANCH=EXPOSITION SPUR					186	11,015	$167,741
A	FLORENCE SIDING	1.3	UNION ELECTRIC STEEL RT-18		BURGETTSTOWN	PA 222206	031182	130	9,056	103,065
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=FLORENCE SIDING					130	9,056	$103,065
			COMPLETE CUSTOMER TOTALS FOR BRANCH=FLORENCE SIDING					130	9,056	$103,065
A	FORT MEADE IND	0.0	FT. GEO. G. MEADE	TRANS OFFICE T-44	FT GEO G MEADE	MD 111261		7	171	9,738

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			ABANDONNED CUSTOMER TOTALS FOR BRANCH=FORT MEADE IND						7	171	$9,738
			COMPLETE CUSTOMER TOTALS FOR BRANCH=FORT MEADE IND						7	171	$9,738
A	FRACKVILLE IND	1.9	GLASS WELD INTL INC	P.O. BOX 38	PORT CARBON	PA	130358	031582	26	598	25,136
A	FRACKVILLE IND	4.0	ATLANTIC TRACH & TUR	MILLCREEK MANOR	ST CLAIR,	PA	130358	031582	18	1,193	37,315
A	FRACKVILLE IND	4.0	BURLINGTON HOMES INC	RTE 621	ST CLAIR	PA	130358	031582	0	0	0
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=FRACKVILLE IND						44	1,796	$62,451
			COMPLETE CUSTOMER TOTALS FOR BRANCH=FRACKVILLE IND						44	1,796	$62,451
A	FRANKLIN BR	7.9	COCHRANTON CO-OP	PINE STREET	COCHRANTON,	PA	256561	022382	13	352	4,568
A	FRANKLIN BR	7.9	COCHRANTON SPECIALTI	W ADAMS STREET	COCHRANTON,	PA	256561	022382	5	197	3,178
A	FRANKLIN BR	17.2	PENNA GLASS SAND	P.O. BOX 51	UTICA,	PA	256561	022382	67	4,536	54,015
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=FRANKLIN BR						85	5,085	$62,561
			COMPLETE CUSTOMER TOTALS FOR BRANCH=FRANKLIN BR						85	5,085	$62,561
A	FRANKLIN BRANCH	0.8	AIR PRODUCTS & CHEM	SANS SOUCI HY	WILKES BARRE	PA	630527		0	0	0
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=FRANKLIN BRANCH						0	0	$0
			COMPLETE CUSTOMER TOTALS FOR BRANCH=FRANKLIN BRANCH						0	0	$0
A	FULTONHAM RN TK	0.8	CARTER JONES LUMBER	4546 ROSEVILLE RD	ROSEVILLE	OH	818139	031282	6	296	4,290
A	FULTONHAM RN TK	3.1	COLUMBIA CEMENT CO	6100 CHANNINGHAY	COLUMBUS	OH	818139	031282	417	29,904	368,769
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=FULTONHAM RN TK						423	30,200	$373,059
			COMPLETE CUSTOMER TOTALS FOR BRANCH=FULTONHAM RN TK						423	30,200	$373,059
A	G R & I BRANCH	104.0	WICKES LUMBER	12727 LIMA RD	FORT WAYNE	IN	313130	022382	16	730	8,647
A	G R & I BRANCH	108.0	LAOTTO FARM SUPPLY	P.O. BOX 155	LA OTTO	IN	313130	022382	43	3,512	25,286
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=G R & I BRANCH						59	4,242	$34,133
			COMPLETE CUSTOMER TOTALS FOR BRANCH=G R & I BRANCH						59	4,242	$34,133
A	GADSDEN SEC	0.3	IN. FARM BUREAU	BOONE COUNTY	LEBANON	IN	838371	022382	100	9,990	69,940
A	GADSDEN SEC	1.5	COMMERCIAL FILTERS	415 INDIANAPOLIS	LEBANON	IN	838371	022382	0	0	0
A	GADSDEN SEC	7.2	INTERNATIONAL MINERA	RD #2, BOX 60	LEBANON	IN	838371	022382	36	3,950	14,600
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=GADSDEN SEC						136	13,940	$84,540
			COMPLETE CUSTOMER TOTALS FOR BRANCH=GADSDEN SEC						136	13,940	$84,540
A	GEORGETOWN	7.8	TEAM TRACK - CADIZ	LINCOLN AVE-RTE #	CADIZ	OH	222239	022382	17	1,100	20,679

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A	GEORGETOWN	7.9	LUMBER WHOLESALERS	318 LINCOLN AVE	CADIZ	OH	222238	020382	113	4,999	81,716
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=GEORGETOWN						130	6,099	$110,391
			COMPLETE CUSTOMER TOTALS FOR BRANCH=GEORGETOWN						130	6,099	$110,391
A	GILSONITE IND	1.8	DUNMORE LUMBER CO	622 SO BLAKELY ST	DUNMORE	PA	636256	020582	0	0	0
A	GILSONITE IND	1.8	STRICK CORP	600 MILL ST	DUNMORE	PA	636256	020582	0	0	0
A	GILSONITE IND	1.8	CANNON BROS CO	1438 E DRINKER ST	DUNMORE	PA	636256	020582	0	0	0
A	GILSONITE IND	2.7	UNITED GILLSONITE	JEFFERSON & NY AV	SCRANTON	PA	636256	020582	0	0	0
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=GILSONITE IND						0	0	$0
			COMPLETE CUSTOMER TOTALS FOR BRANCH=GILSONITE IND						0	0	$0
A	GOWEN RUN TRK	159.1	GOWEN COAL COLLIERY	FERN GLEN RD	NUREMBERG	PA	630516		236	16,284	205,521
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=GOWEN RUN TRK						236	16,284	$205,521
			COMPLETE CUSTOMER TOTALS FOR BRANCH=GOWEN RUN TRK						236	16,284	$205,521
A	GREENSBURG IND	222.4	KOVA FERTILIZER	N ANDERSON & 7TH	GREENSBURG	IN	830363	030582	104	9,344	85,949
A	GREENSBURG IND	222.5	GREENSBURG DAILY NEW	135 S FRANKLIN ST	GREENSBURG	IN	830363	030582	6	347	4,028
A	GREENSBURG IND	223.0	GREENSBURG LUMBER CO	289 N MICHIGAN AV	GREENSBURG	IN	830363	030582	0	0	0
A	GREENSBURG IND	223.5	DECATUR CTY FARM BUR	766 W MAIN STREET	GREENSBURG	IN	830363	030582	26	1,800	20,921
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=GREENSBURG IND						136	11,491	$110,878
			COMPLETE CUSTOMER TOTALS FOR BRANCH=GREENSBURG IND						136	11,491	$110,878
A	GROVELAND BRAN	325.8	NORTHEAST FOODS	*OUT OF BUSINESS*	MT MORRIS	NY	666401		0	0	0
A	GROVELAND BRAN	326.7	FOSTER-WHEELER	PO BOX 490	DANSVILLE	NY	666401		561	22,807	677,093
A	GROVELAND BRAN	332.4	FOLGER FEED & GRAIN	PO BOX 291	MT MORRIS	NY	666401		49	4,365	91,263
A	GROVELAND BRAN	332.4	GENESEE VALLEY COLD	LACKAWANNA AVE	MT MORRIS	NY	666401		288	12,721	302,673
A	GROVELAND BRAN	332.8	CURTIS BURNS FOODS	RT 36	MT MORRIS	NY	666401		55	2,941	54,319
A	GROVELAND BRAN	335.8	AR CHRISTIANO	123 MAIN STREET	LEICESTER	NY	666401		0	0	0
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=GROVELAND BRAN						953	42,834	$1,125,343
			COMPLETE CUSTOMER TOTALS FOR BRANCH=GROVELAND BRAN						953	42,834	$1,125,343
A	HARBOR IND TRK	6.1	HELD WAREHOUSE & TRA	79 HOOK ROAD	BAYONNE	NJ	640509	031182	11	605	15,872
A	HARBOR IND TRK	6.4	BAYONNE BLOCK CO INC	HOOK ROAD	BAYONNE	NJ	640509	031182	7	434	6,559
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=HARBOR IND TRK						18	1,039	$22,431
			COMPLETE CUSTOMER TOTALS FOR BRANCH=HARBOR IND TRK						18	1,039	$22,431
A	HARRODS BRANCH	42.2	SOHIGRO SERVICE	EAST 3RD STREET	HARROD	OH	816604	030382	64	6,400	54,003

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			ABANDONNED CUSTOMER TOTALS FOR BRANCH=HARRODS BRANCH						64	6,400	$54,003
			COMPLETE CUSTOMER TOTALS FOR BRANCH=HARRODS BRANCH						64	6,400	$54,003
A	HIGHTSTOWN SEC	20.1	GEE JAY GROVES	PO BOX 41	HIGHTSTOWN	NJ	641437	031182	0	0	0
A	HIGHTSTOWN SEC	21.2	HEDLIN LUMBER	*OUT OF BUSINESS*	HIGHTSTOWN	NJ	641437	031182	0	0	0
A	HIGHTSTOWN SEC	21.3	COCA COLA	460 MERCER RD	HIGHTSTOWN	NJ	641437	031182	5	200	4,340
A	HIGHTSTOWN SEC	21.5	THOMAS EXPRESS CO	PO BOX 25	PRINCETON JCT	NJ	641437	031182	1	35	823
A	HIGHTSTOWN SEC	21.7	MOORES SUPER STORE	PO BOX 325	HIGHTSTOWN	NJ	641437	031182	1	71	523
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=HIGHTSTOWN SEC						7	306	$5,686
			COMPLETE CUSTOMER TOTALS FOR BRANCH=HIGHTSTOWN SEC						7	306	$5,686
A	HOLLIDAYSBURG S	18.2	KEYSTONE MILLING CO.	645 CANAL STREET	WILLIAMSBURG	PA	212122		1	836	16,786
A	HOLLIDAYSBURG S	18.8	WESTVACO-US ENVELOPE	BOX A	WILLIAMSBURG	PA	212122		88	4,414	54,574
A	HOLLIDAYSBURG S	19.0	SAXON IND. FRL GROUP	P.O. BOX E	WILLIAMSBURG	PA	212122		69	4,392	76,621
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=HOLLIDAYSBURG S						158	9,642	$147,981
			COMPLETE CUSTOMER TOTALS FOR BRANCH=HOLLIDAYSBURG S						158	9,642	$147,981
A	HOWARD ST	0.0	BUFFALO METALS RECYC	106 THOMAS ST.	BUFFALO	NY	484852	031182	0	0	0
A	HOWARD ST	0.2	FRESCOTECH, INC.	80 METCALFE ST	BUFFALO,	NY	484852	031182	5	30	1,450
A	HOWARD ST	0.3	BROCK, MAX CO INC	22 METCALFE ST.	BUFFALO,	NY	484852	031182	0	0	0
A	HOWARD ST	0.4	BERN METAL CO.	P.O. BOX 12	BUFFALO,	NY	484852	031182	13	659	6,121
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=HOWARD ST						18	689	$7,571
			COMPLETE CUSTOMER TOTALS FOR BRANCH=HOWARD ST						18	689	$7,571
A	HUNT IND TK	96.2	STOCKMAN FARM SERVIC	504 WINCHESTER	DECATUR	IN	316604		4	274	2,108
A	HUNT IND TK	96.5	ARNOLD LUMBER	425 S. WINCHESTER	DECATUR	IN	316604		0	0	0
A	HUNT IND TK	97.0	COLCO PACKAGING	2110 PATERSON ST	DECATUR	IN	316604		162	6,009	43,510
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=HUNT IND TK						166	6,283	$45,618
			COMPLETE CUSTOMER TOTALS FOR BRANCH=HUNT IND TK						166	6,283	$45,618
B	HYANNIS SEC	5.5	GALLO CONSTRUCTION	SANDWICH RD.	SAGAMORE,	MA	414174		88	8,839	100,240
B	HYANNIS SEC	5.5	COAL MASS OF CAPE CO	845 SANDWICH ROAD	SAGAMORE,	MA	414174		10	800	10,876
B	HYANNIS SEC	5.7	SUBURBAN PROPANE GAS	BRIDGE ST.	SAGAMORE,	MA	414174		55	3,936	83,364
B	HYANNIS SEC	6.7	CANAL ELECTRIC	PO BOX 527 FREEZE	SANDWICH,	MA	414174		178	9,244	55,749
B	HYANNIS SEC	7.4	PYROFAX GAS CO.	17 WILLOW ST.	SANDWICH,	MA	414174		0	0	0
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=HYANNIS SEC						331	22,877	$258,139
			COMPLETE CUSTOMER TOTALS FOR BRANCH=HYANNIS SEC						331	22,877	$258,139
A	ILION INDUST	220.0	ILION LUMBER CO INC	161 W MAIN ST	ILION	NY	474733	030382	2	80	2,220

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A	ILION INDUST	220.8	YOTS FUEL CO INC	51 E MAIN ST	MOHAWK	NY	474733	030382	2	100	1,593
A	ILION INDUST	220.9	UNION FORK & HOE CO	E MAIN ST	FRANKFORT	NY	474733	030382	0	0	0
A	ILION INDUST	221.2	BROWN'S FEED CO INC	124 W ORCHARD ST	FRANKFORT	NY	474733	030382	116	5,900	103,513
A	ILION INDUST	227.2	CHICAGO PNEUMATIC TO	2200 BLEECKER ST	UTICA	NY	474733	030382	2	60	997
A	ILION INDUST	227.5	SOFCO INC	1821 BROAD ST	UTICA	NY	474733	030382	1	5	270
A	ILION INDUST	227.5	AMERICAN HARDWALL PL	709 BROAD ST	UTICA	NY	474733	030382	7	300	3,260
A	ILION INDUST	227.5	BROAD STREET WAREHOU	709 BROAD ST	UTICA	NY	474733	030382	3	90	1,683
A	ILION INDUST	227.5	UTICA RADIATOR CORP	2201 OLIVER AVE	UTICA	NY	474733	030382	38	1,400	26,607
A	ILION INDUST	227.5	DODGE GRAPHIC PRESS	1901 BROAD ST	UTICA	NY	474733	030382	7	200	3,220
A	ILION INDUST	227.5	N O PETERS & CO INC	895 CATHERINE ST	UTICA	NY	474733	030382	2	100	1,298
A	ILION INDUST	227.5	ROBERTS HARDWARE CO	807 BROAD ST	UTICA	NY	474733	030382	1	56	720
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=ILION INDUST						181	7,911	$175,907
			COMPLETE CUSTOMER TOTALS FOR BRANCH=ILION INDUST						181	7,911	$175,907
A	JERSEY AVE BR	0.4	SCHIAVONE BONOMO COR	FT. OF JERSEY AVE	JERSEY CITY	NJ	640299	031182	93	5,370	59,610
A	JERSEY AVE BR	0.7	LIGNUM CHEMICAL WKS	FT. OF JERSEY AVE	JERSEY CITY	NJ	640299	031182	21	639	17,328
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=JERSEY AVE BR						114	6,017	$76,248
			COMPLETE CUSTOMER TOTALS FOR BRANCH=JERSEY AVE BR						114	6,017	$76,248
A	JERSEY AVE IND	2.6	AMPOLE WRECK & DISTR	274 COMMUNIPAW AV	JERSEY CITY,	NJ	640501	031182	0	0	0
A	JERSEY AVE IND	2.6	GARDEN STATE WAREHOU	300 COMMUNIPAW AV	JERSEY CITY,	NJ	640501	031182	0	0	0
A	JERSEY AVE IND	2.6	TRANSDENVELOPE CO OI	100 MONITOR STREE	JERSEY CITY	NJ	640501	031182	0	0	0
A	JERSEY AVE IND	2.6	SCHIAVONE-BONOMO COR	FT. OF JERSEY AVE	JERSEY CITY	NJ	640501	031182	0	0	0
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=JERSEY AVE IND						0	0	$0
			COMPLETE CUSTOMER TOTALS FOR BRANCH=JERSEY AVE IND						0	0	$0
A	KENSING.-TACONY	3.5	ROHM & HAAS	5000 RICHMOND ST	PHILA	PA	111173		0	0	0
A	KENSING.-TACONY	4.2	FRANKFORD ARSENAL	ERIDGE & TACONY S	PHILA	PA	111173		0	0	0
A	KENSING.-TACONY	4.3	DIETZ & WATSON	5701 TACONY ST	PHILA	PA	111173		0	0	0
A	KENSING.-TACONY	4.4	E I DU PONT	5303 TACONY ST	PHILA	PA	111173		1	78	1,192
A	KENSING.-TACONY	4.4	NATIONAL AMMONIA	TACONY & VAN KIRK	PHILA	PA	111173		149	10,100	108,475
A	KENSING.-TACONY	4.6	G S COYNE CHEM CO	COMLY ST & DELAW	PHILA	PA	111173		37	1,001	39,082
A	KENSING.-TACONY	4.7	NEWMAN PAPER BRD	6101 TACONY ST	PHILA	PA	111173		0	0	0
A	KENSING.-TACONY	4.9	LIFETIME FOAM PRDTS	WHEATSHF & CORAL	PHILA	PA	111173		0	0	0
A	KENSING.-TACONY	5.0	METAL BANK	6801 STATE RD	PHILA	PA	111173		21	1,151	10,214
A	KENSING.-TACONY	5.0	EASTERN PIPE	6801 STATE RD	PHILA	PA	111173		4	84	954
A	KENSING.-TACONY	5.0	PENNA FOUNDRY SUPPLY	6301 STATE RD	PHILA	PA	111173		35	1,654	33,162
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=KENSING.-TACONY						247	14,876	$220,059
			COMPLETE CUSTOMER TOTALS FOR BRANCH=KENSING.-TACONY						247	14,876	$220,059
A	KINGSBURY BR	0.5	BROADWAY SUPPLY CO	7925 BESSEMER AVE	CLEVE	OH	353939	031182	3	100	2,552
A	KINGSBURY BR	0.9	CLARK OIL & CHEM	7555 BESSEMER AVE	CLEVE	OH	353939	031182	23	575	19,323

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CO DE	BRANCH NAME	MILE POST	COMPANY NAME	ADDRESS	CITY	ST	RDBR	APPRVL DATE	1980 BRANCH LINE ACTIVITY UNITS	TONS	REVENUE
A	KINGSBURY BR	0.6	ALUMINUM COATING MFG	7301 BESSEMER AVE	CLEVE	OH	353539	031182	0	0	0
A	KINGSBURY BR	0.6	US GARDEN SALES INC	6701 HUBBARD AVE	CLEVE	OH	353539	031182	1	40	854
A	KINGSBURY BR	0.9	KAUFMAN IRON & METAL	7225 BESSEMER AVE	CLEVE	OH	353539	031182	7	320	3,877
A	KINGSBURY BR	0.9	UC STEEL SUPPLY CO	7165 BESSEMER AVE	CLEVE	OH	353539	031182	57	3,760	50,022
A	KINGSBURY BR	0.9	WHITMORE MFG CO	700 HUBBARD AVE	CLEVE	OH	353539	031182	21	225	10,021
A	KINGSBURY BR	1.0	FERRO ENGR PLT #1	3155 E46	CLEVE	OH	353539	031182	53	2,120	31,161
A	KINGSBURY BR	1.3	LEEMAR STEEL CO	6100 TRUSCON AVE	CLEVE	OH	353539	031162	31	2,170	30,115
			ABANDONED CUSTOMER TOTALS FOR BRANCH=KINGSBURY BR						176	9,340	$150,675
			COMPLETE CUSTOMER TOTALS FOR BRANCH=KINGSBURY BR						196	9,340	$150,675
A	KINGSTON NJ	0.1	TRIANGLE PRICE CO	STOUT LANE	MONMOUTH JCT	NJ	641429	031182	0	0	0
A	KINGSTON NJ	0.8	RIDGE NASSAU CO	NEW ROAD	MONMOUTH JCT	NJ	641429	031182	1	27	903
A	KINGSTON NJ	1.2	MONARK LABO INC	STOUT LANE	MONMOUTH JCT	NJ	641429	031182	5	101	4,005
A	KINGSTON NJ	1.4	COLUMBIAN CHEMICALS	STOUT LANE	MONMOUTH JCT	NJ	641429	031182	74	5,614	112,539
A	KINGSTON NJ	2.3	ADVANCE COMPUTER SUP U S #1		MONMOUTH JCT	NJ	641427	031182	14	990	12,072
			ABANDONED CUSTOMER TOTALS FOR BRANCH=KINGSTON NJ						94	6,732	$129,602
			COMPLETE CUSTOMER TOTALS FOR BRANCH=KINGSTON NJ						94	6,732	$129,602
A	KINNEY SPUR	2.7	MICHIGAN PLATING CO	1840 ALPINE	GRAND RAPIDS	MI	535350		16	96	15,000
A	KINNEY SPUR	3.9	DETZ FOUNDRY	2029 BRISTOL	NW GR RAPIDS	MI	535350		0	0	0
A	KINNEY SPUR	4.0	AFFLIED ARTS CO	365 LANE	SW GR RAPIDS	MI	535350		47	1,770	56,403
A	KINNEY SPUR	7.3	STANDALE LBR CO	4100 LAKE MICHIGA	GRAND RAPIDS	MI	535355		23	1,146	12,669
A	KINNEY SPUR	7.5	EBERHARD FOODS	4001-3 MILE RD	WALKER	MI	535350		257	6,239	103,291
			ABANDONED CUSTOMER TOTALS FOR BRANCH=KINNEY SPUR						343	9,251	$200,111
			COMPLETE CUSTOMER TOTALS FOR BRANCH=KINNEY SPUR						343	9,251	$200,111
A	LEHIGH&LAKE ERI	448.1	GROSSMANS LUMBER	3340 S PARK AVE	LACKAWANNA	NY	400616	022302	20	1,060	15,572
			ABANDONED CUSTOMER TOTALS FOR BRANCH=LEHIGH&LAKE ERI						20	1,060	$15,572
			COMPLETE CUSTOMER TOTALS FOR BRANCH=LEHIGH&LAKE ERI						20	1,060	$15,572
A	LEHIGHTON SECO	100.2	WHITEHALL CEMENT CO	5160 MAIN ST	CEMENTON	PA	630501	031182	16	1,017	8,267
A	LEHIGHTON SECO	109.8	HE CRAIN CO INC	375 CHERRY ST	SLATINGTON	PA	630501	031182	5	270	7,641
A	LEHIGHTON SECO	109.8	BLUE ROCK MATERIALS		SLATINGTON	PA	630501	031182	0	0	0
A	LEHIGHTON SECO	109.8	AJ HENRY LUMBER CO	50 W PARK AVE	SLATINGTON	PA	630501	031182	0	0	0
A	LEHIGHTON SECO	110.5	KEYSTONE LAMP MFG CO	R.D. #4	SLATINGTON	PA	630501	031182	0	0	0
A	LEHIGHTON SECO	111.5	PFIZER CO INC	LEHIGH GAP RD4	SLATINGTON	PA	630501	031182	5	303	3,059
A	LEHIGHTON SECO	116.3	FRANCE MANUFACTURING	700 LEHIGH ST	EDDYSTONE	PA	630501	031182	181	12,733	121,809
A	LEHIGHTON SECO	119.3	PENNA PLANT FOOD		LEHIGHTON	PA	630501	031182	0	0	0
A	LEHIGHTON SECO	119.3	ECHUN LUMBER	R.D. 3	LEHIGHTON	PA	630501	031182	2	60	2,010
A	LEHIGHTON SECO	119.3	H D HARTMAN LUMBER	BLAKSLEE BOULEVAR	LEHIGHTON	PA	630501	031182	3	160	4,224
			ABANDONED CUSTOMER TOTALS FOR BRANCH=LEHIGHTON SECO						212	14,653	$147,976

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CD DE	BRANCH NAME	MILE POST	COMPANY NAME	ADDRESS	CITY	ST	RDBR	APPRVL DATE	1980 BRANCH LINE ACTIVITY UNITS	TONS	REVENUE
			COMPLETE CUSTOMER TOTALS FOR BRANCH=LEHIGHTON SECO						212	14,653	$147,996
A	LIMEDALE SECOND	8.9	VARIOUS TT CUSTOMERS		BRIDGEPORT	IN	838406	031182	9	500	4,700
A	LIMEDALE SECOND	13.6	PUBLIC SERVICE IND	1000 E. MAIN STRE	PLAINFIELD	IN	838406	031182	3	298	2,624
A	LIMEDALE SECOND	14.0	VARIOUS TT CUSTOMERS		PLAINFIELD	IN	838406	031182	43	1,890	24,020
A	LIMEDALE SECOND	24.9	ELLETT FEED & GRAIN	GENERAL DELIVERY	AMO	IN	838406	031182	0	0	0
A	LIMEDALE SECOND	27.9	COATESVILLE ELEVATOR	GENERAL DELIVERY	COATESVILLE	IN	838406	031182	0	0	0
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=LIMEDALE SECOND						55	2,688	$31,764
			COMPLETE CUSTOMER TOTALS FOR BRANCH=LIMEDALE SECOND						55	2,688	$31,764
A	LINWOOD SEC	0.2	DEALER'S LIQUOR CO	201 W DECATUR AVE	PLEASANTVILLE	NJ	119908		3	115	4,369
A	LINWOOD SEC	3.8	DEE LUMBER COMPANY	CENTRAL AVE	LINWOOD	NJ	119908		122	5,987	142,310
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=LINWOOD SEC						125	6,102	$146,709
			COMPLETE CUSTOMER TOTALS FOR BRANCH=LINWOOD SEC						125	6,102	$146,709
A	LISBON LEETONI	33.2	DW DICKEY & SON INC	330 S LINCOLN AVE	LISBON	OH	246563	030382	93	7,905	104,672
A	LISBON LEETONI	33.2	INDUSTRIAL MINING CO	4719 STATE ROUTE	LISBON	OH	246563	030382	0	0	0
A	LISBON LEETONI	33.2	BUCKEYE PUBLISHING	308 N MAPLE ST	LISBON	OH	246563	030382	0	0	0
A	LISBON LEETONI	33.3	BUCKEYE COAL MINING	130 W MAPLE ST	LISBON	OH	246563	030382	0	0	0
A	LISBON LEETONI	33.3	ALOCO MINING & MACHI	230 W MAPLE ST	LISBON	OH	246563	030382	0	0	0
A	LISBON LEETONI	33.4	LANDMARK INC	232 S MARKET ST	LISBON	OH	246563	030382	9	765	9,702
A	LISBON LEETONI	34.0	C&W MINING COMPANY	234 E WASHINGTON	LISBON	OH	246563	030382	0	0	0
A	LISBON LEETONI	34.0	CARTER LUMBER CO	704 E LINCOLN WAY	LISBON	OH	246563	030382	14	916	13,244
A	LISBON LEETONI	34.0	LISBON STEEL FABRICA	39252 GRANT ST	LISBON	OH	246563	030382	5	379	5,242
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=LISBON LEETONI						121	9,965	$132,858
			COMPLETE CUSTOMER TOTALS FOR BRANCH=LISBON LEETONI						121	9,965	$132,858
A	LNE SPUR	0.0	WINT LUMBER CO	738 FRONT ST	CATASAUQUA	PA	630224		6	300	4,680
A	LNE SPUR	0.6	FULLER COMPANY	FRONT ST	CATASAUQUA	PA	630224		5	70	6,475
A	LNE SPUR	0.8	PHOENIX FORGING CO	FRONT & CHAPEL ST	CATASAUQUA	PA	630224		28	1,428	9,312
A	LNE SPUR	1.0	A SHEFTEL & SONS	1151 N FRONT ST	CATASAUQUA	PA	630224		60	2,157	29,057
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=LNE SPUR						99	3,955	$49,526
			COMPLETE CUSTOMER TOTALS FOR BRANCH=LNE SPUR						99	3,955	$49,526
A	MANTUA SECOND	30.5	MANTALINE CORP	4754 E HIGH ST	MANTUA	OH	256502		0	0	0
A	MANTUA SECOND	30.5	MANTUA GRAIN & SUP	4690 PROSPECT RD	MANTUA	OH	256502		2	71	1,079
A	MANTUA SECOND	37.1	THERMOLINK INC	PO BOX 265	GARRETTSVILLE	OH	256502		0	0	0
A	MANTUA SECOND	37.2	BILL & MARV'S TURKEY	PO BOX 231	GARRETTSVILLE	OH	256502		3	183	1,657
A	MANTUA SECOND	37.2	PAUL FEED & SUPPLY	8138 WATER ST	GARRETTSVILLE	OH	256502		7	297	4,621
A	MANTUA SECOND	42.3	PENNSYLVANIA GLASS	STATE ROUTE 82	GARRETTSVILLE	OH	256502		249	19,920	205,974

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CO DE	BRANCH NAME	MILE POST	COMPANY NAME	ADDRESS	CITY	ST	RDBR	APPRVL DATE	1980 BRANCH LINE ACTIVITY UNITS	TONS	REVENUE
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=MANTUA SECOND						261	20,468	$213,531
			COMPLETE CUSTOMER TOTALS FOR BRANCH=MANTUA SECOND						261	20,468	$213,531
A	MANVER	0.0	APOLLO MINE #2	PO BOX 297	INDIANA	PA	232393 031182		220	16,110	193,160
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=MANVER						220	16,110	$193,160
			COMPLETE CUSTOMER TOTALS FOR BRANCH=MANVER						220	16,110	$193,160
A	MARTINSBURG SE	0.3	NEWSPRINTING	819 E. MAIN STREE	ROARING SPRING	PA	212134		41	1,648	27,545
A	MARTINSBURG SE	0.3	ROARING SPRING BLANK	740 SPANG ST	ROARING SPRING	PA	212134		219	10,665	132,426
A	MARTINSBURG SE	0.7	COVE DEHYDRATING	RD #1	MARTINSBURG	PA	212134		2	140	1,738
A	MARTINSBURG SE	0.7	MARTINSBURG MILLING	106 S. RAILROAD S	MARTINSBURG	PA	212134		56	3,541	66,861
A	MARTINSBURG SE	0.7	OVERS FEED STORE	214 S. MARKET ST.	MARTINSBURG	PA	212134		3	163	1,424
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=MARTINSBURG SE						321	16,157	$229,994
			COMPLETE CUSTOMER TOTALS FOR BRANCH=MARTINSBURG SE						321	16,157	$229,994
A	MAYEROOK BR	9.9	CENTRAL HUDSON GAS	284 SOUTH AVENUE	POUGHKEEPSIE	NY	624223 031182		0	0	0
A	MAYEROOK BR	21.1	ULSTER WAREHOUSE, INC	STATION ROAD	CLINTONDALE	NY	624223 031182		52	2,028	54,184
A	MAYEROOK BR	22.9	CENTRAL HUDSON GAS	ELKINS CORNERS	CLINTONDALE	NY	624223 031182		0	1,024	16,256
A	MAYEROOK BR	27.2	RIVERSIDE COAL CO	COMMERCIAL AVE	HIGHLAND	NY	624223 031182		5	349	4,736
A	MAYBROOK BR	27.4	GEO PRATT LUMBER CO	134 VINYARD AVE	HIGHLAND	NY	624223 031182		0	0	0
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=MAYBROOK BR						57	3,401	$75,176
			COMPLETE CUSTOMER TOTALS FOR BRANCH=MAYBROOK BR						57	3,401	$75,176
A	MAYEROOK SEC	34.4	H G PAGE & SONS INC	ROUTE 55	POUGHKEEPSIE	NY	624223 031182		32	1,448	40,935
A	MAYBROOK SEC	34.4	QUINLIN GAS CO	ROUTE 55	POUGHKEEPSIE	NY	624223 031182		14	938	16,240
A	MAYBROOK SEC	35.1	H O PENN MACHINERY	HOXON RD	POUGHKEEPSIE	NY	624223 031182		0	0	0
A	MAYEROOK SEC	36.4	MIRON LUMBER CO	TITUSVILLE ROAD	POUGHKEEPSIE	NY	624223 031182		120	6,373	109,166
A	MAYBROOK SEC	36.4	HUDSON VALLEY BLOCK	609 SOUTH ROAD	POUGHKEEPSIE	NY	624223 031182		34	2,142	33,127
A	MAYBROOK SEC	42.8	BRY-BAIN LUMBER CO	ROUTE 82	HOPEWELL JCT	NY	624223 031182		25	1,200	29,425
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=MAYBROOK SEC						225	12,101	$228,894
			COMPLETE CUSTOMER TOTALS FOR BRANCH=MAYBROOK SEC						225	12,101	$228,894
A	MEDFORD BR	1.1	BURLINGTON METALS		MT HOLLY	NJ	111165 031182		10	271	6,424
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=MEDFORD BR						10	271	$6,424
			COMPLETE CUSTOMER TOTALS FOR BRANCH=MEDFORD BR						10	271	$6,424
A	MILLWOOD SAND	4.0	MILLWOOD SAND	606 MARKET ST	ZANESVILLE	OH	818146		200	17,603	201,200
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=MILLWOOD SAND						200	17,603	$201,200

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CO DE	BRANCH NAME	MILE POST	COMPANY NAME	ADDRESS	CITY	ST	RDBR	APPRVL DATE	----1980 BRANCH LINE ACTIVITY----- UNITS	TONS	REVENUE
			COMPLETE CUSTOMER TOTALS FOR BRANCH=MILLWOOD SAND						280	17,683	$101,300
A	MILTON RUNNING	6.8	DRAPER KING COLE INC		MILTON	DE	111238		189	9,907	304,429
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=MILTON RUNNING						189	9,907	$304,429
			COMPLETE CUSTOMER TOTALS FOR BRANCH=MILTON RUNNING						189	9,907	$304,429
A	MINERS MILLS B	174.3	PARSONS INSULATION	310 GEORGE ST	WILKES BARRE	PA	630504		1	7	551
A	MINERS MILLS B	175.0	CARTER RUBBER CO	1212 SCATT ST	WILKES BARRE	PA	630504		0	0	0
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=MINERS MILLS B						1	7	$551
			COMPLETE CUSTOMER TOTALS FOR BRANCH=MINERS MILLS B						1	7	$551
A	MONROE BRANCH	1.3	AMENDT MILLING CO	317 W FRONT ST	MONROE	MI	525248		15	738	13,508
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=MONROE BRANCH						15	738	$13,508
			COMPLETE CUSTOMER TOTALS FOR BRANCH=MONROE BRANCH						15	738	$13,508
A	MONTANDON INDU	2.5	PENNSYLVANIA HOUSE	137 N 10TH	LEWISBURG	PA	131348		0	0	0
A	MONTANDON INDU	2.6	MOORE BUSINESS FORMS	INDUSTRIAL PKWY	LEWISBURG	PA	131348		75	4,547	82,300
A	MONTANDON INDU	10.7	MONT SUCKS FARM BUR	111 MILL ST	MIFFLINBURG	PA	131348		100	7,659	150,068
A	MONTANDON INDU	11.1	FARMERS EXCHANGE	120 N 6TH ST	MIFFLINBURG	PA	131348		24	600	4,696
A	MONTANDON INDU	11.3	YORKTOWNE KITCHENS	6TH & WALNUT	MIFFLINBURG	PA	131348		53	2,569	67,477
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=MONTANDON INDU						252	15,375	$305,541
			COMPLETE CUSTOMER TOTALS FOR BRANCH=MONTANDON INDU						252	15,375	$305,541
A	MORRISONS COVE	20.9	YOUNGS INC	RD 2	MARTINSBURG	PA	212128		114	6,364	82,764
A	MORRISONS COVE	24.1	AGWAY INC		CURRYVILLE	PA	212128		101	6,250	92,757
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=MORRISONS COVE						215	12,634	$175,521
			COMPLETE CUSTOMER TOTALS FOR BRANCH=MORRISONS COVE						215	12,634	$175,521
A	MT CARMEL RUN	1.1	WJ LAPINSKY LUMBER	7TH & VINE STS	MT CARMEL	PA	130321	031182	3	51	1,230
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=MT CARMEL RUN						3	51	$1,230
			COMPLETE CUSTOMER TOTALS FOR BRANCH=MT CARMEL RUN						3	51	$1,230
A	MT HOPE MINERA	3.2	MOUNT HOPE MINING CO	RD 1	MOUNT HOPE	NJ	620210		0	0	0
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=MT HOPE MINERA						0	0	$0
			COMPLETE CUSTOMER TOTALS FOR BRANCH=MT HOPE MINERA						0	0	$0

CUSTOMER ABANDONMENT STATUS THROUGH DECEMBER 1, 1981
SORTED BY BRANCH NAME AND MILE POST
CODE: (A)=ABANDON, (B)=ABANDON-MASS. MAY PURCHASE, ( )=RETAIN
SOURCE: SALES SYSTEMS & CONTROLS

CO DE	BRANCH NAME	MILE POST	COMPANY NAME	ADDRESS	CITY	ST	RDBR	APPRVL DATE	1980 BRANCH LINE ACTIVITY UNITS	TONS	REVENUE
A	MT. VERNON SEC	98.9	PRECAST	P. O. BOX 227	MT. VERNON	OH	818137		0	0	0
A	MT. VERNON SEC	99.7	MT. VERNON FARM EXCH	300 W. VINE ST	MT. VERNON	OH	818137		242	23,740	461,420
A	MT. VERNON SEC	99.7	WAYNES CASH FEED	512 W. HIGH ST	MT. VERNON	OH	818137		6	180	3,300
A	MT. VERNON SEC	100.4	MT. VERNON DIST.	10 PITTSBURGH AVE	MT. VERNON	OH	818137		73	6,695	52,317
A	MT. VERNON SEC	100.8	CHATTANOOGA GLASS CO	P. O. BOX 428	MT. VERNON	OH	818137		189	18,522	209,412
A	MT. VERNON SEC	105.1	COLUMBIA GAS	207 W. HIGH ST	MT. VERNON	OH	818137		0	0	0
A	MT. VERNON SEC	119.0	LANDMARK	35 E. CHESTNUT ST	COLUMBUS	OH	818137		25	2,475	15,700
A	MT. VERNON SEC	119.1	CARTER DIST. INC.	3477 N. STATE RT	SUNBURY	OH	818137		152	6,612	115,500
A	MT. VERNON SEC	123.6	NESTLE CO	185 S. COLUMBUS S	SUNBURY	OH	818137		19	478	18,984
A	MT. VERNON SEC	124.6	GALENA SHALE TILE&BR	P.O. BOX 188	GALENA	OH	818137		5	310	3,410
A	MT. VERNON SEC	131.7	CELLAR LUMBER CO.	137 E. COLLEGE ST	WESTERVILLE	OH	818137	031282	28	1,260	17,500
A	MT. VERNON SEC	133.7	84 LUMBER	675 S. STATE ST	WESTERVILLE	OH	818137	031282	48	2,304	30,144
A	MT. VERNON SEC	135.6	COL. & SCU. CH. ELEC	215 N. FRONT ST	COLUMBUS	OH	818137	031282	62	2,021	19,093
A	MT. VERNON SEC	138.4	WICKES LUMBER	2150 INNIS RD	COLUMBUS	OH	818137	031282	11	616	8,250
A	MT. VERNON SEC	139.0	3 C LUMBER	3047 WESTERVILLE	COLUMBUS	OH	818137	031282	75	3,450	57,375
A	MT. VERNON SEC	139.5	LINDEN LUMBER	1650 DENUNE	COLUMBUS	OH	818137	031282	40	1,720	30,320
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=MT. VERNON SEC						975	70,383	$1,042,725
			COMPLETE CUSTOMER TOTALS FOR BRANCH=MT. VERNON SEC						975	70,383	$1,042,725
A	MUSCONETCONG BR	71.8	RIEGEL PRODUCTS CORP POB "R"		MILL FORD	NJ	630502	031182	228	14,536	179,227
A	MUSCONETCONG BR	73.1	RIEGEL PRODUCTS CORP POB "R"		MILL FORD	NJ	630502	031182	143	8,877	133,275
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=MUSCONETCONG BR						371	23,463	$312,502
			COMPLETE CUSTOMER TOTALS FOR BRANCH=MUSCONETCONG BR						371	23,463	$312,502
A	N & W TRACKAGE	13.6	PROKO INDUSTRIES	PO BOX 264	CAMBRIDGE CITY	IN	838345	011182	0	0	0
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=N & W TRACKAGE						0	0	$0
			COMPLETE CUSTOMER TOTALS FOR BRANCH=N & W TRACKAGE						0	0	$0
B	NANTASKET	4.2	PLYMOUTH QUARRIES IN	410 WHITING ST.	HINGHAM,	MA	414184		14	910	18,449
B	NANTASKET	6.3	BUILDING 19 SALES CO	319 LINCOLN ST.	HINGHAM	MA	414184		2	60	3,840
B	NANTASKET	6.3	GENERAL SERVICES ADM	295 LINCOLN ST.	HINGHAM,	MA	414184		193	4,825	166,350
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=NANTASKET						209	5,795	$188,639
			COMPLETE CUSTOMER TOTALS FOR BRANCH=NANTASKET						209	5,795	$188,639
A	NANTICOKE BR	0.1	BELTRAMI COAL, HUBER	*OUT OF BUSINESS*	HAZLETON	PA	630525		511	38,836	461,408
A	NANTICOKE BR	0.3	ECONOMY LUMBER	2 SO MAIN ST	ASHLEY,	PA	630525		2	92	1,912
A	NANTICOKE BR	1.4	ECONOMY LUMBER	2 SO MAIN ST	ASHLEY,	PA	630525		0	0	0
A	NANTICOKE BR	1.4	J. B. POST DISTBG CO	STANTON & EMPIRE	ASHLEY,	PA	630525		0	0	0
A	NANTICOKE BR	1.7	PA. GAS & WATER	39 PUBLIC SQ	WILKES BARRE,	PA	630525		0	0	0
A	NANTICOKE BR	1.9	SIMPSON BUILDING SUP	P.O. BOX 53 HANOV	ASHLEY	PA	630525		426	19,170	342,253
A	NANTICOKE BR	2.6	CENTRAL IRON METAL P	WILKES BARRE-ASHL	ASHLEY,	PA	630525		131	5,240	64,603

CUSTOMER ABANDONMENT STATUS THROUGH DECEMBER 1, 1981
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CO DE	BRANCH NAME	MILE POST	COMPANY NAME	ADDRESS	CITY	ST	POOR	APPRVL DATE	1980 BRANCH LINE ACTIVITY UNITS	TONS	REVENUE
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=NANTICOKE BR						1,070	63,338	$938,478
			COMPLETE CUSTOMER TOTALS FOR BRANCH=NANTICOKE BR						1,070	63,338	$938,478
A	NATCO IND SPUR	7.5	KEPR GLASS	FRANCIS & BEERE S	KEYPORT	NJ	620217		16	659	5,550
A	NATCO IND SPUR	10.3	INT. FLAV & FRAG	600 ROSE LANE	UNION BEACH	NJ	620217		64	2,291	73,640
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=NATCO IND SPUR						80	2,950	$79,200
			COMPLETE CUSTOMER TOTALS FOR BRANCH=NATCO IND SPUR						80	2,950	$79,200
B	NEEDHAM	13.5	POLAROID CORP	140 KENDRICK ST.	NEEDHAM	MA	414175		0	0	0
B	NEEDHAM	13.5	KRAFT FOOD SERVICE	37 A ST	NEEDHAM	MA	414175		0	0	0
B	NEEDHAM	13.5	DECATUR HOPKINS DIGE	254 SECOND AVE	NEEDHAM	MA	414175		0	0	0
B	NEEDHAM	13.5	AMERICAN DOOR DISTRI	15 FOURTH AVE	NEEDHAM	MA	414175		50	2,500	71,385
B	NEEDHAM	13.5	NEW ENGLAND INTERIOR	180 CHARLEMONT ST	NEWTON	MA	414175		52	1,040	57,500
B	NEEDHAM	13.5	TENNECO CHEMICALS	300 NEEDHAM ST.	NEWTON	MA	414175		39	3,120	102,504
B	NEEDHAM	13.5	GENERAL ELECTRIC CO.	50 INDUSTRIAL PK.	NEWTON	MA	414175		0	0	0
B	NEEDHAM	13.5	ST. REGIS PAPER LAMI	156 OAK ST.	NEWTON,	M	414175		159	6,430	166,031
B	NEEDHAM	14.0	NATIONAL LUMBER	15 NEEDHAM ST.	NEWTON	MA	414175		3	135	3,324
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=NEEDHAM						303	13,225	$400,744
			COMPLETE CUSTOMER TOTALS FOR BRANCH=NEEDHAM						303	13,225	$400,744
A	NEW CASTLE SEC	19.3	FLEMING STEEL COMPAN	THE MAITLAND LN E	NEW CASTLE,	PA	256562	031182	8	400	3,680
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=NEW CASTLE SEC						8	400	$3,680
			COMPLETE CUSTOMER TOTALS FOR BRANCH=NEW CASTLE SEC						8	400	$3,680
A	NEW HOLLAND	0.7	PUBLIC DELIVERY TR		DOWNINGTOWN	PA	111147		50	300	45,000
A	NEW HOLLAND	0.8	O'BRIEN MACHINERY	WASHINGTON & GREE	DOWNINGTOWN	PA	111147		0	0	0
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=NEW HOLLAND						50	300	$45,000
			COMPLETE CUSTOMER TOTALS FOR BRANCH=NEW HOLLAND						50	300	$45,000
A	NEW HOLLAND SE	18.5	EAGLE GRAIN & SUPPLY	MAIN & BROAD STS.	HONEY BROOK,	PA	131333		0	0	0
A	NEW HOLLAND SE	21.8	CE MINERALS	R.D. #2	NARVON,	PA	131333	031182	115	5,051	94,057
A	NEW HOLLAND SE	24.4	AGWAY INC.	R.D. #1	EAST EARL	PA	131333	031182	15	1,192	19,412
A	NEW HOLLAND SE	24.5	JOHN B. KURTZ, INC.	R.D. #1	EAST EARL	PA	131333	031182	12	1,172	21,391
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=NEW HOLLAND SE						142	7,415	$134,860
			COMPLETE CUSTOMER TOTALS FOR BRANCH=NEW HOLLAND SE						142	7,415	$134,860
A	NEWARK & NY BR	7.3	CENTRAL PAPER CO.	765 MC CARTER HWY	NEWARK,	NJ	640203	031182	16	901	6,713

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CO DE	BRANCH NAME	MILE POST	COMPANY NAME	ADDRESS	CITY	ST	RDBR	APPRVL DATE	1980 BRANCH LINE ACTIVITY UNITS	TONS	REVENUE
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=NEWARK & NY BR						18	901	$6,713
			COMPLETE CUSTOMER TOTALS FOR BRANCH=NEWARK & NY BR						18	901	$6,713
A	NEWBURGH BR	13.9	TARKETT COMPANY	ROUTE 94	VAILS GATE	NY	646181		98	7,662	124,479
A	NEWBURGH BR	15.7	HILTON GIBSON & MILL	MACARTHUR AVE	NEW WINDSOR	NY	646181		4	96	2,266
A	NEWBURGH BR	16.0	FRYE COPYSYSTEMS CO	71 NEW WINDSOR RD	NEW WINDSOR	NY	646181		100	5,100	93,600
A	NEWBURGH BR	16.4	MIRON LUMBER CORP	250 LAKE ST	NEW BURGH	NY	646181		63	3,339	63,063
A	NEWBURGH BR	16.4	CORNHALL PAPER MILLS	OLD FORGE HILL RD	CORNHALL	NY	646181		2	93	1,800
A	NEWBURGH BR	17.0	NEWBURGH-BEACON NEWS	85 DICKSON ST	NEW BURGH	NY	646181		19	1,140	23,864
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=NEWBURGH BR						286	17,430	$324,072
			COMPLETE CUSTOMER TOTALS FOR BRANCH=NEWBURGH BR						286	17,430	$324,072
A	NEWTON FALLS OH	3.7	BLISS MFG CO	1162 NEWTON FALLS	NEWTON FALLS	OH	252445		24	1,440	36,365
A	NEWTON FALLS OH	3.7	TRUMBULL METAL SER	1162 NEWTON FALLS	NEWTON FALLS	OH	252445		40	2,400	43,104
A	NEWTON FALLS OH	3.7	ROCKWELL ALLOY MFG	1162 NEWTON FALLS	NEWTON FALLS	OH	252445		10	600	15,928
A	NEWTON FALLS OH	3.7	RO INDUSTRIES INC	1162 NEWTON FALLS	NEWTON FALLS	OH	252445		0	0	0
A	NEWTON FALLS OH	4.2	NEWTON FALLS LUMBER	68 E JAY ST	NEWTON FALLS	OH	252445		1	20	158
A	NEWTON FALLS OH	5.1	NEW FAB INC	SOUTH CENTER ST	NEWTON FALLS	OH	252445		3	150	2,634
A	NEWTON FALLS OH	5.3	LUXAIRE CUSHION CO	SOUTH CENTER ST	NEWTON FALLS	OH	252445		2	50	1,045
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=NEWTON FALLS OH						80	4,660	$99,494
			COMPLETE CUSTOMER TOTALS FOR BRANCH=NEWTON FALLS OH						80	4,660	$99,494
A	NEWTOWN SQUARE	10.5	NATIONAL WOOD PRESRV	PO BOX F	HAVERTOWN	PA	111186		0	0	0
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=NEWTOWN SQUARE						0	0	$0
			COMPLETE CUSTOMER TOTALS FOR BRANCH=NEWTOWN SQUARE						0	0	$0
A	NIAGARA FLS SEC	9.0	A P GREEN FIRE BRICK	*OUT OF BUSINESS*	N TONAWANDA	NY	486461	031182	5	207	588
A	NIAGARA FLS SEC	11.0	CONTINENTAL IND	2122 COLVIN BLVD	TONAWANDA	NY	486461	031182	15	933	12,582
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=NIAGARA FLS SEC						20	1,140	$13,170
			COMPLETE CUSTOMER TOTALS FOR BRANCH=NIAGARA FLS SEC						20	1,140	$13,170
A	NIPSCO KANK BR	12.8	CASHWAY LUMBER	*OUT OF BUSINESS*	NORTH LIBERTY	IN	323123	030302	0	0	0
A	NIPSCO KANK BR	13.0	NORTH LIBERTY GRAIN	P.O. BOX 1376	NORTH LIBERTY	IN	323123	030302	20	1,243	12,046
A	NIPSCO KANK BR	13.6	WELLS ALUMINUM CO	400 S MAIN STREET	NORTH LIBERTY	IN	323123	030302	0	0	0
A	NIPSCO KANK BR	19.6	AMERICAN DOOR DISTRI	MUSKIN ROAD	WALKERTON	IN	323123	030302	25	1,228	15,009
A	NIPSCO KANK BR	34.5	CARGILL, INC	P.O. BOX 201	KNOX	IN	323123	030302	42	3,061	28,944
A	NIPSCO KANK BR	34.6	GEROX	RFD 1	KNOX	IN	313123	030302	22	1,303	16,797
A	NIPSCO KANK BR	48.1	SAN PIERRE GRAIN	P.O. BOX 207	SAN PIERRE	IN	323123	030302	2	84	504
A	NIPSCO KANK BR	53.5	JASPER COUNTY FARM	P.O. BOX 238	RENSSALAER	IN	323123	030302	8	678	5,885
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=NIPSCO KANK BR						119	7,577	$79,155

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CO DE	BRANCH NAME	MILE POST	COMPANY NAME	ADDRESS	CITY	ST	RDBR	APPRVL DATE	1980 BRANCH LINE ACTIVITY UNITS	TONS	REVENUE
			COMPLETE CUSTOMER TOTALS FOR BRANCH=NIPSCO KANK BR						119	7,577	$79,155
A	PATERSON CITY	0.1	IRONHEAD INDUSTRIES	745 MAIN ST	PATERSON	NJ	626151	030382	19	1,179	20,671
A	PATERSON CITY	0.2	TRIP DISTRIBUTORS IN	11 GETTY AVE	PATERSON	NJ	626151	030382	149	7,003	122,155
A	PATERSON CITY	0.5	JA EDLER INC	147 SPRING ST	PATERSON	NJ	626151	030382	0	0	0
A	PATERSON CITY	0.7	SANITARY SOAP CO	104 RAILROAD AVE	PATERSON	NJ	626151	030382	14	593	9,231
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=PATERSON CITY						182	8,779	$154,253
			COMPLETE CUSTOMER TOTALS FOR BRANCH=PATERSON CITY						182	8,779	$154,253
A	PEKIN SEC	51.6	CUSTOM FARM SERVICE	GENERAL DELIVERY	WAYNETOWN	IN	830561	031182	24	2,352	10,911
A	PEKIN SEC	58.5	HICKES LUMBER CO	GENERAL DELIVERY	HILLSBORO	IN	830561	031182	3	157	1,707
A	PEKIN SEC	64.7	VEEDERSBURG GRAIN CO	GENERAL DELIVERY	VEEDERSBURG	IN	832561	031182	0	0	0
A	PEKIN SEC	72.0	INDIANA FARM BUREAU	GENERAL DELIVERY	COVINGTON	IN	837561	031182	21	1,650	19,496
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=PEKIN SEC						48	4,159	$32,114
			COMPLETE CUSTOMER TOTALS FOR BRANCH=PEKIN SEC						48	4,159	$32,114
A	PEMBERTON SEC	24.8	TRILLO CITY LUMBER	PO BOX 267	PEMBERTON	NJ	111162	031182	26	742	22,778
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=PEMBERTON SEC						26	742	$22,778
			COMPLETE CUSTOMER TOTALS FOR BRANCH=PEMBERTON SEC						26	742	$22,778
A	PETE SECONDARY	5.5	MEAD PROD. BLAIR DIV	P.O. BOX 317	ALEXANDRIA	PA	212122	020982	344	17,125	265,654
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=PETE SECONDARY						344	17,125	$265,654
			COMPLETE CUSTOMER TOTALS FOR BRANCH=PETE SECONDARY						344	17,125	$265,654
A	PETERS CREEK	2.4	WESTINGHOUSE	PO BOX 10864	PITTSBURGH	PA	222253		0	0	0
A	PETERS CREEK	3.0	CARMAC CHEMICAL	PO BOX 772	LARGE	PA	222253		47	2,412	36,093
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=PETERS CREEK						47	2,412	$36,093
			COMPLETE CUSTOMER TOTALS FOR BRANCH=PETERS CREEK						47	2,412	$36,093
A	PHOENIXVILLE	10.6	SIMPSON PAPER		MIQUON	PA	111129	031182	0	0	0
A	PHOENIXVILLE	13.6	FINE GRINDING	241 E ELM ST	CONSHOHOCKEN	PA	111129	031182	35	1,319	44,714
A	PHOENIXVILLE	13.6	VAN HORN METZ	201 E ELM ST	CONSHOHOCKEN	PA	111129	031182	2	51	1,682
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=PHOENIXVILLE						37	1,370	$45,776
			COMPLETE CUSTOMER TOTALS FOR BRANCH=PHOENIXVILLE						37	1,370	$45,776
A	PICKERING VALL	0.7	PHOENIX LUMBER CO	BRIDGE ST	PHOENIXVILLE	PA	110378	030382	6	207	3,934
A	PICKERING VALL	0.7	S L SHANAHAN	347 W BRIDGE ST	PHOENIXVILLE	PA	110378	030382	1	59	1,155

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CO DE	BRANCH NAME	MILE POST	COMPANY NAME	ADDRESS	CITY	ST	RDBD	APPRVL DATE	----1980 BRANCH LINE ACTIVITY----- UNITS	TONS	REVENUE
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=PICKERING VALL						7	346	$5,139
			COMPLETE CUSTOMER TOTALS FOR BRANCH=PICKERING VALL						7	346	$5,139
A	PIER EAST	0.1	SANDUSKY IRON &STEEL	1983 MILAN RD	SANDUSKY	OH	363600	030330	9	549	$9,663
A	PIER EAST	0.2	CELLULO CORP	1321 FIRST ST	SANDUSKY	OH	363600	030302	3	147	$2,253
A	PIER EAST	0.3	VENTURA PACKAGING	310 E EDALT ST	SANDUSKY	OH	363600	030302	20	1,980	$10,287
A	PIER EAST	0.3	JC READY MIX	1924 MILAN RD	SANDUSKY	O	363600	030302	2	195	$1,021
A	PIER EAST	0.3	EXTOL INC	1414 FIRST ST	SANDUSKY	OH	363600	030302	18	216	$3,076
A	PIER EAST	0.4	UNIVERSAL CLAY PRODS	1528 FIRST ST	SANDUSKY	OH	363600	030302	54	2,592	$20,520
A	PIER EAST	0.5	STIERHOFF BROS MOVIN	0100 SUPERIOR ST	SANDUSKY	OH	363600	030302	42	1,512	$3,115
A	PIER EAST	0.5	BARR INC	1531 FIRST ST	SANDUSKY	OH	363600	030302	42	532	$9,039
A	PIER EAST	0.6	DC FILTER	1517 FIFTH ST	SANDUSKY	OH	363600	030302	6	276	$2,465
A	PIER EAST	0.7	SECURITY TERMINALS	102 N CEMENT AVE	SANDUSKY	OH	363600	030302	79	936	$2,351
A	PIER EAST	1.2	FARRELL CHEEK FOUNDR	706 LANE ST	SANDUSKY	OH	363600	030302	4	192	$3,079
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=PIER EAST						279	8,989	$173,927
			COMPLETE CUSTOMER TOTALS FOR BRANCH=PIER EAST						279	8,989	$173,927
A	PINEY FORK	65.2	AMSTERDAM SUPPLY CO	GENERAL DELIVERY	AMSTERDAM	OH	242447	031102	3	78	$2,066
A	PINEY FORK	73.4	KB COAL CO	ANN MINE	BLOOMINGDALE	OH	242447	031102	547	42,302	$365,351
A	PINEY FORK	76.7	AUSTIN POWDER CO	BLACKBURNS ADDITI	HOPEDALE	OH	242447	031102	4	249	$1,754
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=PINEY FORK						554	42,626	$370,171
			COMPLETE CUSTOMER TOTALS FOR BRANCH=PINEY FORK						554	42,626	$370,171
A	PITTSFORD RUN	94.0	T J ZORNOW	STATE ST	PITTSFORD	NY	484836	030302	33	2,288	$40,725
A	PITTSFORD RUN	94.9	ROCHESTER LIQUOR COM	3180 MONROE AVE	PITTSFORD	NY	484836	030302	8	414	$8,696
A	PITTSFORD RUN	94.9	EDER BROS WINE & LIQ	3200 MONROE AVE	PITTSFORD	NY	484836	030302	100	4,269	$101,926
A	PITTSFORD RUN	96.0	DOMINE BUILDERS	155 GOULD ST	BRIGHTON	NY	484836	030302	45	3,831	$43,246
A	PITTSFORD RUN	98.4	BILT RITE	284 E. HIGHLAND A	BRIGHTON	NY	484836	030302	0	0	$0
A	PITTSFORD RUN	98.5	ROCHESTER REFRIGERAT	2 ROCKWOOD	BRIGHTON	NY	484836	030302	1	46	$1,139
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=PITTSFORD RUN						187	10,848	$196,332
			COMPLETE CUSTOMER TOTALS FOR BRANCH=PITTSFORD RUN						187	10,848	$196,332
A	PLEASANTV SEC	57.1	84 LUMBER COMPANY	BLK HRS & CON ST	PLEASANTVILLE	NJ	119907		27	1,329	$9,745
A	PLEASANTV SEC	57.7	PRESS UNION PUBLISH.		PLEASANTVILLE	NJ	119907		22	1,401	$11,165
A	PLEASANTV SEC	57.8	ATLANTIC CITY PRESS	ATLANTIC AV & OHI	ATLANTIC CITY	NJ	119907		30	1,919	$34,242
A	PLEASANTV SEC	58.6	LUMBER MERCHANTS		PLEASANTVILLE	NJ	119907		98	43,144	$10,250
A	PLEASANTV SEC	59.0	TRI COUNTY WHOLESALE	4 W JERSEY AVE	PLEASANTVILLE	NJ	119907		2	88	$1,621
A	PLEASANTV SEC	59.3	PETER LUMBER CO.	E MAIN AV & LYONS	PLEASANTVILLE	NJ	119907		2	84	$1,643
A	PLEASANTV SEC	59.6	ATLANTIC CITY ELECT	BLK HRS FX & FIRE	PLEASANTVILLE	NJ	119907		6	193	$4,764
A	PLEASANTV SEC	59.8	SOUTH JERSEY GAS	111 N FRANKLIN BL	PLEASANTVILLE	NJ	119907		5	207	$3,874
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=PLEASANTV SEC						192	48,365	$196,703

CUSTOMER ABANDONMENT STATUS THROUGH DECEMB. ? 1, 1981
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SOURCE: SALES SYSTEMS & CONTROLS

CO DE	BRANCH NAME	MILE POST	COMPANY NAME	ADDRESS	CITY	ST	RDBR	APPRVL DATE	1980 BRANCH LINE ACTIVITY UNITS	TONS	REVENUE
			COMPLETE CUSTOMER TOTALS FOR BRANCH=PLEASANTV SEC						192	48,368	$196,780
B	PLYMOUTH	5.9	US NAVAL AIR STATION		S WEYMOUTH	MA	414185		0	0	0
B	PLYMOUTH	6.0	JOHN J GALLAGHER INC	1500 MAIN ST	WEYMOUTH	MA	414185		9	450	12,105
B	PLYMOUTH	6.8	KOL-TAR INC	699 ADAMS ST	N ABINGTON	MA	414185		16	640	21,562
B	PLYMOUTH	9.2	ANDERSON INSULATION	706 BROCKTON AVE	ABINGTON	MA	414185		40	2,000	36,543
B	PLYMOUTH	9.2	LITTLEFIELD WYMAN	277 CENTRE AVE	ABINGTON	MA	414185		0	0	0
B	PLYMOUTH	10.5	CROWN CONTAINER CORP	20 POND ST	WHITMAN	MA	414185		0	0	0
B	PLYMOUTH	14.4	MACDONALD COAL INC	1158 MAIN ST	HANSON	MA	414185		13	1,300	16,700
B	PLYMOUTH	14.4	ANDERSON HAY & GRAIN	1200 MAIN ST	HANSON	MA	414185		94	2,820	28,681
B	PLYMOUTH	15.5	UNITED CRANBERRY GRO	HAWKES AVE	HANSON	MA	414185		0	0	0
B	PLYMOUTH	21.9	KINGSTON OIL & GAS	62 MAIN ST	KINGSTON	MA	414185		41	1,640	46,575
B	PLYMOUTH	25.3	REVERE COPPER & BRAS	FOUNDRY ST	PLYMOUTH	MA	414185		13	650	19,399
B	PLYMOUTH	25.4	HALLIDAY LITHOGRAPH	OFF CIRCUIT ST	HANOVER	MA	414185		87	5,000	113,330
B	PLYMOUTH	25.4	PLYMOUTH COATED PROD	CORDAGE PK	PLYMOUTH	MA	414185		12	480	10,560
B	PLYMOUTH	25.4	STEARNS EXPRESS	CORDAGE PK	WHITMAN	MA	414185		50	3,500	42,915
B	PLYMOUTH	25.4	SENTINEL FOAM PRODS	CORDAGE IND PARK	PLYMOUTH	MA	414185		31	186	33,563
B	PLYMOUTH	25.4	SUPERIOR PET PRODS	CORDAGE IND PK	PLYMOUTH	MA	414185		1	20	791
B	PLYMOUTH	25.4	SHIRETOWN TRANS	CORDAGE PK	PLYMOUTH	MA	414185		0	0	0
B	PLYMOUTH	25.8	SPENCER PRESS	90 INDUSTRIAL PK	HINGHAM	MA	414185		185	9,250	174,382
B	PLYMOUTH	25.8	L KNIFE & SON	SANDRI DRIVE	PLYMOUTH	MA	414185		164	8,200	244,900
B	PLYMOUTH	26.9	REVERE COPPER & BRAS	WATER ST	PLYMOUTH	MA	414185		0	0	0
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=PLYMOUTH						756	36,436	$807,023
			COMPLETE CUSTOMER TOTALS FOR BRANCH=PLYMOUTH						756	36,436	$807,023
A	POMEROY BRANCH	1.5	CURTIS DIV/JAMES RIV	PCD 6567	NEWARK	DE	111256	031182	0	0	0
A	POMEROY BRANCH	1.9	NVF COMPANY	PCD 297	NEWARK	DE	111256	031182	83	3,550	40,400
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=POMEROY BRANCH						83	3,550	$40,400
			COMPLETE CUSTOMER TOTALS FOR BRANCH=POMEROY BRANCH						83	3,550	$40,400
A	POMPTON INDUST	22.1	UNION CARBIDE CORP	55 HAUL RD	WAYNE	NJ	626172		70	4,653	89,957
A	POMPTON INDUST	23.0	PEQUANNOCK FEED&COAL	NEWARK POMPTON TP	PEQUANNOCK	NJ	626172		6	173	3,430
A	POMPTON INDUST	25.0	ARTON GROUP INDS	100 ALEXANDER AVE	POMPTON PLAINS	NJ	626172		0	0	0
A	POMPTON INDUST	26.0	MORRIS PIPE & SUPPLY	NJ ST HIGHWAY 23	POMPTON PLAINS	NJ	626172		6	358	9,070
A	POMPTON INDUST	27.5	CHATHAM LADORATORIES	INDUSTRIAL ROW	RIVERDALE	NJ	626172		8	508	8,402
A	POMPTON INDUST	28.0	DER PLASTICS INC	CURTISS ST	RIVERDALE	NJ	626172		37	3,273	56,760
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=POMPTON INDUST						127	8,962	$167,639
			COMPLETE CUSTOMER TOTALS FOR BRANCH=POMPTON INDUST						127	8,962	$167,639
A	POTTSTOWN SEC	42.0	STANLEY G FLAGG CO		STOWE	PA	131129	031182	162	8,153	69,579
A	POTTSTOWN SEC	42.3	DOEHLER JARVIS	OLD READING PIKE	STOWE	PA	131129	031182	5	342	6,771
A	POTTSTOWN SEC	46.3	HAFFEL LUMBER & SUPP		HONOCACY	PA	131129		0	0	0

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CO DE	BRANCH NAME	MILE POST	COMPANY NAME	ADDRESS	CITY	ST	RDBR	APPRVL DATE	----1980 BRANCH LINE ACTIVITY---- UNITS	TONS	REVENUE
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=POTTSTOWN SEC						167	8,500	$76,350
			COMPLETE CUSTOMER TOTALS FOR BRANCH=POTTSTOWN SEC						167	8,500	$76,350
A	PUTNAM BRANCH	4.1	STELLA D'ORO BISCUIT	184 W 237TH ST	BRONX	NY	414233		165	8,233	215,137
A	PUTNAM BRANCH	10.6	OTTO BREHM	75 TUCKAHOE RD	YONKERS	NY	414233		35	1,150	30,339
A	PUTNAM BRANCH	10.7	MIRACLE PLYWOOD CORP	44 RUNYON AVE	YONKERS	NY	414233		64	5,029	93,811
A	PUTNAM BRANCH	12.2	CALIFORNIA WIPING MA	925 SAW MILL RIVE	YONKERS	NY	414233		0	0	0
A	PUTNAM BRANCH	12.2	ATLANTIC METAL TRADE	957 SAW MILL RIVE	YONKERS	NY	414233		0	0	0
A	PUTNAM BRANCH	12.2	LEVINE IRON WORKS	955 SAW MILL RIVE	YONKERS	NY	414233		0	0	0
A	PUTNAM BRANCH	14.1	STAUFFER CHEMICAL CO	LAWRENCE ST	ARDSLEY	NY	414233		29	1,503	41,765
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=PUTNAM BRANCH						313	15,915	$331,212
			COMPLETE CUSTOMER TOTALS FOR BRANCH=PUTNAM BRANCH						313	15,915	$301,212
A	QUARRYVILLE RT	13.2	GOOD'S FEED MILL	BEAVER VALLEY PIK	NEW PROVIDENCE	PA	131334 022302		0	0	0
A	QUARRYVILLE RT	15.2	WALTER HASSEL SONS	18 N HESS ST	QUARRYVILLE	PA	131334 022302		5	259	5,316
A	QUARRYVILLE RT	15.2	RED ROSE FEED	27 N CHURCH ST	QUARRYVILLE	PA	131334 022302		7	282	6,119
A	QUARRYVILLE RT	15.3	ROSS ROHRER & SONS	16 E STATE ST	QUARRYVILLE	PA	131334 022302		7	212	4,557
A	QUARRYVILLE RT	15.5	AGWAY INC	27 E FOURTH ST	QUARRYVILLE	PA	131334 022302		27	2,046	33,173
A	QUARRYVILLE RT	15.7	LANCASTER BONE FERT	301 PARK AVE	QUARRYVILLE	PA	131334 022302		51	3,937	51,328
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=QUARRYVILLE RT						97	6,786	$100,473
			COMPLETE CUSTOMER TOTALS FOR BRANCH=QUARRYVILLE RT						97	6,786	$100,473
A	READING SEC	57.7	PENN VALLEY PLYWOOD	401 OLD WYOMISSIN	WEST READING	PA	131129		14	526	12,170
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=READING SEC						14	526	$12,170
			COMPLETE CUSTOMER TOTALS FOR BRANCH=READING SEC						14	526	$12,170
A	REND IND TR	68.3	POLK STATE SCHOOL	P.O. BOX 94	POLK	PA	252345 031102		17	683	13,974
A	REND IND TR	74.4	ERICKSON FEEDS	639 12TH STREET	FRANKLIN	PA	252345 031102		0	0	0
A	REND IND TR	74.5	BROWN BOILER CO	1013 CHESTNUT STR	FRANKLIN	PA	252345 031102		0	0	0
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=REND IND TR						17	683	$13,974
			COMPLETE CUSTOMER TOTALS FOR BRANCH=REND IND TR						17	683	$13,974
A	RIVER BED	0.1	CITY OF CLEVELAND	1201 LAKESIDE	CLEVE	OH	356502 030302		5	275	6,320
A	RIVER BED	2.0	CLEVELAND BUILDER SU	2100 W 3RD ST	CLEVE	OH	356502 030302		104	38,506	59,006
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=RIVER BED						109	38,861	$65,326
			COMPLETE CUSTOMER TOTALS FOR BRANCH=RIVER BED						109	38,861	$65,326
A	ROCHESTER BRAN	381.8	CAYES LUMBER	7 NORTON RD.	HONEOYE FALLS	NY	480614 031102		0	0	0
A	ROCHESTER BRAN	381.9	BEAM MILLING	LEHIGH STA. RD.	HONEOYE FALLS	NY	480614 031102		7	436	5,842

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CODE	BRANCH NAME	MILE POST	COMPANY NAME	ADDRESS	CITY	ST	RDBR	APPRVL DATE	1980 BRANCH LINE ACTIVITY UNITS	TONS	REVENUE
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=ROCHESTER BRAN						7	436	$5,242
			COMPLETE CUSTOMER TOTALS FOR BRANCH=ROCHESTER BRAN						7	436	$5,242
A	SANDUSKY SEC	33.4	EXCEL WIRE COMPANY	108 ELM STREET	TIFFIN	OH	368131	031182	0	0	0
A	SANDUSKY SEC	34.3	LOUIS O'CONNELL CO	72 ADAMS ST	TIFFIN	OH	368131	030382	0	0	0
A	SANDUSKY SEC	34.5	MAGERS LUMBER CO	319 BENNER ST	TIFFIN	OH	368131	030382	0	0	0
A	SANDUSKY SEC	34.7	SENECA COUNTY LANDMK	LEITNER AVE	TIFFIN	OH	368131	030382	11	1,089	8,046
A	SANDUSKY SEC	35.0	OHIO POWER CO	45 SOUTH MONROE S	TIFFIN	OH	368131	030382	1	52	775
A	SANDUSKY SEC	36.1	HOLOHAN LUMBER&HOME	2011 W SENECA RD	TIFFIN	OH	368131	030382	2	111	1,659
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=SANDUSKY SEC						14	1,252	$10,480
			COMPLETE CUSTOMER TOTALS FOR BRANCH=SANDUSKY SEC						14	1,252	$10,480
A	SCOTTDALE	3.0	MODULUX CORP	1000 MODULUX RD	MT PLEASANT	PA	222265	020982	53	1,761	45,497
A	SCOTTDALE	4.7	COCK LUMBER CO	25 E MAIN STREET	MT PLEASANT	PA	222265	020982	14	556	10,566
A	SCOTTDALE	5.4	PRITT FEED CO	26 E MAIN STREET	MT PLEASANT	PA	222265	020982	6	406	5,448
A	SCOTTDALE	5.5	SINTER FUEL CO	4209 CLAIRTON BLV	PITTSBURGH	PA	222265	020982	0	0	0
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=SCOTTDALE						73	2,723	$61,511
			COMPLETE CUSTOMER TOTALS FOR BRANCH=SCOTTDALE						73	2,723	$61,511
A	SEWICKLEY	0.4	OME CORP	LOCUST ST	YOUNGWOOD	PA	222271	030382	0	0	0
A	SEWICKLEY	0.5	VICTORY GLASS	LOCUST ST	YOUNGWOOD	PA	222271	030382	30	512	8,536
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=SEWICKLEY						30	512	$8,536
			COMPLETE CUSTOMER TOTALS FOR BRANCH=SEWICKLEY						30	512	$8,536
A	SHIMER RUNNING	149.9	CONSOLIDATED CIGAR	MCADOO TRESCKW RD	MC ADOO	PA	630515		6	342	6,258
A	SHIMER RUNNING	158.1	FIBERITE CO	P.O. BOX 26	DELAND	PA	630515		95	1,995	50,470
A	SHIMER RUNNING	158.3	CARBONITE FILTER	P.O. BOX 1	DELAND	PA	630515		87	4,089	77,271
A	SHIMER RUNNING	153.5	AG-MET INC	P.O. BOX 5	DELAND	PA	630515		2	100	2,074
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=SHIMER RUNNING						190	6,526	$136,073
			COMPLETE CUSTOMER TOTALS FOR BRANCH=SHIMER RUNNING						190	6,526	$136,073
A	SILVER PLATE	1.1	NOCK FIREBRICK	1243 55TH ST	CLEVE	OH	353538		0	0	0
A	SILVER PLATE	1.2	EAST OHIO GAS CO	E 55TH ST	CLEVE	OH	353538		0	0	0
A	SILVER PLATE	1.4	STEEL IMPROVEMENT	970 E 64TH ST	CLEVE	OH	353538		0	0	0
A	SILVER PLATE	1.6	ROY'S DISTRIBUTORS	3320 LAKESIDE	CLEVE	OH	353538		2	95	1,611
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=SILVER PLATE						2	95	$1,611
			COMPLETE CUSTOMER TOTALS FOR BRANCH=SILVER PLATE						2	95	$1,611

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CODE	BRANCH NAME	MILE POST	COMPANY NAME	ADDRESS	CITY	ST	ROCR	APPRVL DATE	1980 BRANCH LINE ACTIVITY UNITS	TONS	REVENUE
A	SNOW HILL SECO	42.4	THE FOX COMPANY		SELBYVILLE	DE	111236		13	570	4,597
A	SNOW HILL SECO	44.1	BISHOP PROCESSING CO	BOX G	BISHOP	MD	111236		90	6,269	131,076
A	SNOW HILL SECO	44.9	SHOWELL FARMS INC	POB 59	SHOWELL	MD	111236		227	18,692	459,003
A	SNOW HILL SECO	51.6	EASTERN ANIMAL FOODS	OCEAN CITY BLVD	BERLIN	MD	111236		5	470	13,000
A	SNOW HILL SECO	51.6	PERDUE INC	POB 1537	SALISBURY	MD	111236		247	18,895	415,791
A	SNOW HILL SECO	51.8	ES ADKINS LUMBER	HARRISON AVE	BERLIN	MD	111236		4	141	3,671
A	SNOW HILL SECO	51.8	DELMARVA PAPER STOCK	*OUT OF BUSINESS*	BERLIN	MD	111236		24	822	14,120
A	SNOW HILL SECO	65.3	AGRICO CHEMICAL	*OUT OF BUSINESS*	WHITON	MD	111236		5	153	6,345
A	SNOW HILL SECO	65.3	WB TILGHMAN CO	309 TIMMONS ST	SNOW HILL	MD	111236		22	1,340	21,760
A	SNOW HILL SECO	65.4	SNOW HILL GRAIN	310 E MAIN ST	SNOW HILL	MD	111236		6	154	6,149
A	SNOW HILL SECO	65.4	HOLLY FARMS INC	POB 220	SNOW HILL	MD	111236		168	12,703	286,354
A	SNOW HILL SECO	65.6	JW SHOCKLEY & SON	R.F.D	WHITON	MD	111236		0	0	0
A	SNOW HILL SECO	65.7	MOORE BUSINESS FORMS	WASHINGTON & BELT	SNOW HILL	MD	111236		192	10,502	135,200
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=SNOW HILL SECO						1,003	70,766	$1,492,236
			COMPLETE CUSTOMER TOTALS FOR BRANCH=SNOW HILL SECO						1,003	70,766	$1,492,236
A	SO RIVER BR	1.2	ALUMET PRDTS	POB 218	SO RIVER	NJ	640225		0	0	0
A	SO RIVER BR	1.3	W.H. HENRY	POB 111	SO RIVER	NJ	640225		43	1,892	39,930
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=SO RIVER BR						43	1,892	$39,930
			COMPLETE CUSTOMER TOTALS FOR BRANCH=SO RIVER BR						43	1,892	$39,930
A	SODUS BAY	17.6	FOLD PAK	P.O. BOX 269	NEWARK	NY	484819		0	0	0
A	SODUS BAY	18.0	AGRICO FARM CTR	RT 88	NEWARK	NY	484819		0	0	0
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=SODUS BAY						0	0	$0
			COMPLETE CUSTOMER TOTALS FOR BRANCH=SODUS BAY						0	0	$0
A	SOUTH BEND (B)	11.3	ROSE FUEL & MATERIAL	513 E MADISON	SOUTH BEND	IN	535346		53	3,351	36,052
A	SOUTH BEND (B)	11.3	ROBERTSONS WAREHOUSE	211 SO MICHIGAN	SOUTH BEND	IN	535346		3	16	501
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=SOUTH BEND (B)						56	3,367	$36,553
			COMPLETE CUSTOMER TOTALS FOR BRANCH=SOUTH BEND (B)						56	3,367	$36,553
A	SOUTHERN BRANC	104.3	M & R REFRACTORY	FLEMINGTON PIKE	WINSLOW JCT.	NJ	110215		1	67	2,199
A	SOUTHERN BRANC	106.7	JESSE S. MORIE & SON	1201 N HIGH ST	MILLVILLE	NJ	110215		11	932	9,106
A	SOUTHERN BRANC	111.7	JESSE S. MORIE & SON	1201 N HIGH ST	MILLVILLE	NJ	110215		7	564	11,579
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=SOUTHERN BRANC						19	1,563	$22,885
			COMPLETE CUSTOMER TOTALS FOR BRANCH=SOUTHERN BRANC						19	1,563	$22,885
A	SOUTHWEST SEC	24.2	STONE & COMPANY	605 MOOSTHICK AVE	CONNELLSVILLE	PA	222217	020932	5	190	3,760
A	SOUTHWEST SEC	24.9	PACK ENGINEERING	6TH & LESBERTSHIP	CONNELLSVILLE	PA	222217	020932	0	0	0
A	SOUTHWEST SEC	24.9	INDEPEND. MIN & MFG	SOUTH 4TH STREET	CONNELLSVILLE	PA	222217	020932	0	0	0

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A	SOUTHWEST SEC	24.9	ARTISAN INC	301 SOUTH 6TH STR	CONNELLSVILLE	PA	222217	020982	0	0	0
			ABANDONED CUSTOMER TOTALS FOR BRANCH=SOUTHWEST SEC						5	190	$3,760
			COMPLETE CUSTOMER TOTALS FOR BRANCH=SOUTHWEST SEC						5	190	$3,760
A	STEELTON CANAL	1.1	ROBBINS DOOR AND SAS	1246 S CAMERON ST	HARRISBURG	PA	131333	022382	72	1,656	45,072
			ABANDONED CUSTOMER TOTALS FOR BRANCH=STEELTON CANAL						72	1,656	945,072
			COMPLETE CUSTOMER TOTALS FOR BRANCH=STEELTON CANAL						72	1,656	945,072
A	STRUTHERS BR	57.4	SEGAL & SONS	S. SOUTH ST.	WARREN,	PA	232347	030582	75	3,742	53,728
A	STRUTHERS BR	57.4	LAUGHNER & MORTON	WARREN NATIONAL B	WARREN,	PA	232347	030582	45	2,024	45,034
A	STRUTHERS BR	57.8	SYLVANIA ELECTRIC CO	820 LEXINGTON AVE	WARREN,	PA	232347	030582	35	3,946	64,585
A	STRUTHERS BR	58.0	PITTSBURGH-DES MOINE	1420 LEXINGTON AV	WARREN,	PA	232347	030582	9	432	10,894
A	STRUTHERS BR	58.0	EL TRONICS INC	HARMER STREET	WARREN	PA	232347	030582	0	0	0
A	STRUTHERS BR	58.2	UNITED REFINING CORP	BRADLEY & DODSON	WARREN,	PA	232347	030582	2,497	214,653	1,467,640
			ABANDONED CUSTOMER TOTALS FOR BRANCH=STRUTHERS BR						2,661	223,352	$1,641,031
			COMPLETE CUSTOMER TOTALS FOR BRANCH=STRUTHERS BR						2,661	223,352	$1,641,031
A	SUNMAN SEC	40.0	SUNMAN HARDWOOD LBR	BOX 115	SUNMAN	IN	638312	030582	0	0	0
A	SUNMAN SEC	40.0	NEDDERMAN'S FEED STO	P.O. BOX 186	SUNMAN	IN	638312	030582	1	70	918
A	SUNMAN SEC	47.1	CITY COAL COMPANY	RCD 63	BATESVILLE	IN	638312	030582	5	305	1,541
A	SUNMAN SEC	47.1	HILLENBRAND IND INC	GENERAL DELIVERY	BATESVILLE	IN	638312	030582	0	0	0
A	SUNMAN SEC	47.1	HILL-ROM CO. INC	HIGHWAY 46	BATESVILLE	IN	638312	030582	13	1,811	19,509
A	SUNMAN SEC	47.1	ZEIGLER BUILD. MATLS	1025 E PEARL STRE	BATESVILLE	IN	638312	030582	0	0	0
A	SUNMAN SEC	47.1	UNION FURNITURE CO	102 W GEORGE STRE	BATESVILLE	IN	638312	030582	0	0	0
A	SUNMAN SEC	47.1	AMERICAN FURNITURE	4 S. PARK AVENUE	BATESVILLE	IN	638312	030582	0	0	0
A	SUNMAN SEC	47.1	BATESVILLE CASKET CO	HIGHWAY 46	BATESVILLE	IN	638312	030582	0	0	0
A	SUNMAN SEC	47.1	W. A. GUTZWILLER CO	308 S. JOHN STREE	BATESVILLE	IN	638312	030582	0	0	0
A	SUNMAN SEC	54.4	AMOCO LIQUID FERTZ	P.O. BOX 156	NEWPOINT	IN	638312	030582	3	297	2,845
A	SUNMAN SEC	62.6	CHAS M JOHNSTON SONS	W. RAILROAD AVENU	GREENSBURG	IN	638312	030582	0	144	4,100
A	SUNMAN SEC	73.3	ST PAUL QUARRIES INC	7901 CASTLEWAY DR	INDIANAPOLIS	IN	638312		0	0	0
A	SUNMAN SEC	73.3	TRI COUNTY SOIL SERV	GENERAL DELIVERY	ST PAUL	IN	638312		26	2,500	23,222
A	SUNMAN SEC	75.1	FISCHER&FISCHER FERT	GENERAL DELIVERY	WALDRON	IN	638312		10	1,170	5,630
			ABANDONED CUSTOMER TOTALS FOR BRANCH=SUNMAN SEC						64	5,505	$48,765
			COMPLETE CUSTOMER TOTALS FOR BRANCH=SUNMAN SEC						64	5,505	$48,765
A	SUSCON IND	155.6	EASTERN DISTRIBUTION	WB SCR AIRPORT	AVOCA	PA	636247		0	0	0
A	SUSCON IND	157.2	GOEK INC	BELEN PLANT	MOOSIC	PA	636247		31	1,550	26,489
			ABANDONED CUSTOMER TOTALS FOR BRANCH=SUSCON IND						31	1,550	$26,489
			COMPLETE CUSTOMER TOTALS FOR BRANCH=SUSCON IND						31	1,550	$26,489

CUSTOMER ABANDONMENT STATUS THROUGH DECEMBER 1, 1981
SORTED BY BRANCH NAME AND MILE POST
CODE: (A)=ABANDON, (B)=ABANDON-MASS. MKT PURCHASE, ( )=RETAIN
SOURCE: SALES SYSTEMS & CONTROLS

CO DE	BRANCH NAME	MILE POST	COMPANY NAME	ADDRESS	CITY	ST	ROR	APPRVL DATE	1980 BRANCH LINE ACTIVITY UNITS	TONS	REVENUE
A	SUSCON R T	154.4	GUIDE FEED CO	BEAR CREEK RD	SUSCON	PA	636257		0	0	0
A	SUSCON R T	156.6	INDEPENDENT EXPLSIVE	SCR LIFE BLDG	SCRANTON	PA	636257		117	7,512	194,995
			ABANDONED CUSTOMER TOTALS FOR BRANCH=SUSCON R T						117	7,512	194,995
			COMPLETE CUSTOMER TOTALS FOR BRANCH=SUSCON R T						117	7,512	194,995
A	TERRE HAUTE ML	99.0	DUDLEY-AG SERVICE	RR #5	PARIS	IL	838405	031182	0	0	0
A	TERRE HAUTE ML	104.0	KITCHNER LUMBER CO	GENERAL DELIVERY	KANSAS	IL	838405	031182	13	342	4,797
A	TERRE HAUTE ML	109.0	COFFEY BROS CO		ASHMORE	IL	838405	031182	11	990	7,944
A	TERRE HAUTE ML	109.0	AGRICO FARM CENTER		ASHMORE	IL	838405	031182	2	136	2,193
A	TERRE HAUTE ML	109.0	CASEY FERTILIZER CO		ASHMORE	IL	838405	031182	0	0	0
A	TERRE HAUTE ML	118.0	MOORE BUSINESS FORM	E. ROUTE 316	CHARLESTON	IL	838405	031182	97	4,926	69,273
A	TERRE HAUTE ML	118.0	FUQUA FERTILIZER CO		CHARLESTON	IL	838405	031182	16	1,597	9,234
A	TERRE HAUTE ML	118.0	AGRI DISTRIBUTING CO		CHARLESTON	IL	838405	031182	43	2,381	13,079
A	TERRE HAUTE ML	118.0	IEC-IMPERIAL HOMES		CHARLESTON	IL	838405	031182	5	262	1,728
A	TERRE HAUTE ML	126.0	ELAM KNOX CORP		MATTOON	IL	838405	031182	1	35	409
A	TERRE HAUTE ML	126.0	COLUMBIA MACHINERY		MATTOON	IL	838405	031182	0	0	0
A	TERRE HAUTE ML	126.0	DALE MILLER FARM SPV		MATTOON	IL	838405	031182	16	1,584	11,007
A	TERRE HAUTE ML	126.0	REASOR CORP		MATTOON	IL	838405	031182	33	2,600	13,409
A	TERRE HAUTE ML	126.0	GENERAL STEEL & METL		MATTOON	IL	838405	031182	53	3,271	40,967
A	TERRE HAUTE ML	126.0	KAISER AG CHEM CORP		MATTOON	IL	838405	031182	0	0	0
A	TERRE HAUTE ML	128.0	YOUNG RADIATOR CORP		MATTOON	IL	838405	031182	0	0	0
A	TERRE HAUTE ML	128.0	HULL LUMBER CO		MATTOON	IL	838405	031182	3	135	1,147
A	TERRE HAUTE ML	130.0	COLE COUNTY MASONRY		MATTOON	IL	838405	031182	13	743	4,544
A	TERRE HAUTE ML	140.7	NEAL COOPER GRAIN CO		WINDSOR	IL	838405	031182	22	2,164	15,415
A	TERRE HAUTE ML	147.0	MOULTRIE SHELBY F.S.		MIDDLEWORTH	IL	838405	031182	7	648	3,479
A	TERRE HAUTE ML	150.0	P & H MANUFACTURING		SHELBYVILLE	IL	838405	031182	0	0	0
A	TERRE HAUTE ML	152.0	MOULTRIE SHELBY F.S.		SHELBYVILLE	IL	838405	031182	16	1,549	10,006
A	TERRE HAUTE ML	153.0	CREST CONTAINER CORP	DACEY DRIVE	SHELBYVILLE	IL	838405	031182	90	2,905	67,527
A	TERRE HAUTE ML	160.0	KAISER AGRICULTURAL		TOWER HILL	IL	838405	031182	0	0	0
A	TERRE HAUTE ML	166.8	KRAFT FOODS GROUP		PANA	IL	838405	031182	0	0	0
A	TERRE HAUTE ML	167.2	ASARCO INC	PCD 489	HILLSBORO	IL	838405		0	0	0
A	TERRE HAUTE ML	169.4	ILLINOIS POWER CO.	133 EAST WOOD	HILLSBORO	IL	838405		0	0	0
A	TERRE HAUTE ML	169.5	ILL WOOD PRESERVING	P.O. BOX 491	HILLSBORO	IL	838405		0	0	0
A	TERRE HAUTE ML	169.7	HILLSBORO GLASS CO.	P.O. BOX 430	HILLSBORO	IL	838405		0	0	0
A	TERRE HAUTE ML	170.0	SHERWIN MILLTAINS	P.O. BOX 349	HILLSBORO	IL	838405		0	0	0
A	TERRE HAUTE ML	176.4	MONTGOMERY CTY SERV	IRVING FERTILIZ C	IRVING	IL	838405		0	0	0
A	TERRE HAUTE ML	181.8	NOKOMIS EQUITY	GENERAL DELIVERY	WITT	IL	838405		0	0	0
A	TERRE HAUTE ML	196.3	KAISER AGRI CHEM	ROUTE 16	NOKOMIS	IL	838405		0	0	0
A	TERRE HAUTE ML	197.4	NOKOMIS EQUITY CO.	301 E STATE STREE	NOKOMIS	IL	838405		0	0	0
A	TERRE HAUTE ML	223.6	ROSAMOND COOP ASSOC	GENERAL DELIVERY	CHLMAN	IL	838405		0	0	0
A	TERRE HAUTE ML	237.8	ROSAMOND COOP ASSOC	GENERAL DELIVERY	ROSAMOND	IL	838405		0	0	0
			ABANDONED CUSTOMER TOTALS FOR BRANCH=TERRE HAUTE ML						446	25,676	9276,130
			COMPLETE CUSTOMER TOTALS FOR BRANCH=TERRE HAUTE ML						446	25,676	9276,130
A	TITUSVILLE SEC	120.5	TRANS-PENN WAX CO	1100 E MAIN ST	TITUSVILLE	PA	232327		55	3,624	101,922
A	TITUSVILLE SEC	120.5	UNIVERSAL CYCLOPS CO	701 E SPRING ST	TITUSVILLE	PA	232327		10	709	8,282

CUSTOMER ABANDONMENT STATUS THROUGH DECEMBER 1, 1981
SORTED BY BRANCH NAME AND MILE POST
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SOURCE: SALES SYSTEMS & CONTROLS

CD	BRANCH NAME	MILE POST	COMPANY NAME	ADDRESS	CITY	ST	RDER	APPRVL DATE	----1980 BRANCH LINE ACTIVITY---- UNITS	TONS	REVENUE
A	TITUSVILLE SIC	108.5	HANDROCK SCRAP IRON	206 S KERR ST	TITUSVILLE	PA	232327		7	380	7,639
A	TITUSVILLE SIC	109.5	TEDDS FURNITURE CO	111 W SPRING ST	TITUSVILLE	PA	232327		3	20	3,029
A	TITUSVILLE SIC	110.5	INTERSTATE PIPE & SU	213 E KERR ST	TITUSVILLE	PA	232327		4	102	2,996
			ABANDONED CUSTOMER TOTALS FOR BRANCH=TITUSVILLE SIC						79	4,926	$123,673
			COMPLETE CUSTOMER TOTALS FOR BRANCH=TITUSVILLE SIC						79	4,706	$123,673
A	TOMS RIVER BR	7.5	TRILCO TERMINAL	POB 697, 1 S MAIN S	TOMS RIVER	NJ	640219	022382	22	745	17,706
			ABANDONED CUSTOMER TOTALS FOR BRANCH=TOMS RIVER BR						22	745	$17,706
			COMPLETE CUSTOMER TOTALS FOR BRANCH=TOMS RIVER BR						22	745	$17,706
A	TONAWANDA IBL	1.5	P T JONES LUMBER	PO BOX 525	N TONAWANDA	NY	404043		121	5,190	73,819
A	TONAWANDA IBL	1.5	INTL FILLER CORP	PO BOX 539	N TONAWANDA	NY	404043	030582	296	10,300	178,261
			ABANDONED CUSTOMER TOTALS FOR BRANCH=TONAWANDA IBL						417	15,497	$253,280
			COMPLETE CUSTOMER TOTALS FOR BRANCH=TONAWANDA IBL						417	15,497	$253,280
A	TPTC IND	1.2	BAYRIDGE SPEC	96 STOKES AVE	TRENTON	NJ	110399	031182	9	400	5,166
A	TPTC IND	1.3	CERTIFIED STEEL	1621 N OLDEN AVE	TRENTON	NJ	110399	031182	35	2,394	49,711
A	TPTC IND	1.5	HEATH LUMBER	1500 N OLDEN AVE	TRENTON	NJ	110399	031182	7	339	7,619
A	TPTC IND	1.7	RICHCRETE READY-MIX	1607 N OLDEN AVE	TRENTON	NJ	110399	031182	0	0	0
A	TPTC IND	1.8	R E CATTOLL	1570 N OLDEN AVE	TRENTON	NJ	110399	031182	41	1,901	41,745
A	TPTC IND	1.9	CENTRAL PAPER	1104 WHITEHEAD RD	EWING	NJ	110399	031182	1	25	232
A	TPTC IND	2.0	WITOUCH-LOSER	WHITEHEAD RD EXT	EWING	NJ	110399	031182	0	0	0
			ABANDONED CUSTOMER TOTALS FOR BRANCH=TPTC IND						93	5,143	$104,317
			COMPLETE CUSTOMER TOTALS FOR BRANCH=TPTC IND						93	5,143	$104,317
A	TRENTON IND	33.7	CUSTOM ABRASIVES	LEXINGTON AVE	W TRENTON	NJ	110348		6	304	5,354
A	TRENTON IND	33.7	COSMICOAT	100 LEXINGTON AVE	W TRENTON	NJ	110345		6	300	7,221
A	TRENTON IND	33.7	NAT'L BEER DISTRIBUT	POB 618	TRENTON	NJ	110343		0	0	0
A	TRENTON IND	33.7	N J TRANSIT	RIDGARTER & MARKET	NEWARK	NJ	110346		0	0	0
A	TRENTON IND	33.7	N J ST DEPT OF PURCH	1600 STUYVESANT A	TRENTON	NJ	110348		47	1,247	32,597
A	TRENTON IND	33.8	HOYDSOTE	LOWER FERRY RD	W TRENTON	NJ	110343		232	9,373	207,059
A	TRENTON IND	35.5	H M ROYAL CO	609 FOXINGTON AV	W TRENTON	NJ	110343	031182	63	1,237	101,371
			ABANDONED CUSTOMER TOTALS FOR BRANCH=TRENTON IND						359	14,113	$373,593
			COMPLETE CUSTOMER TOTALS FOR BRANCH=TRENTON IND						359	14,113	$373,593
A	TURTLE CREEK	0.9	HAUSMAN	BOX 17	TRAFFORD	PA	222277		3	141	1,776
A	TURTLE CREEK	5.4	MINE SAFETY APPL	600 PENN CTR	PITTSBURGH	PA	222277		0	0	0
A	TURTLE CREEK	5.6	NATIONAL ALUMINUM	PO BOX 66	MURRAYSVILLE	PA	222277		9	253	8,136
A	TURTLE CREEK	5.9	BUILDING COMPONENTS	3075 CARSON ST	MURRAYSVILLE	PA	222277		15	691	14,722
A	TURTLE CREEK	6.1	WEYERHAEUSER	RTE 22	MURRAYSVILLE	PA	222277		831	11,687	190,190

CUSTOMER ABANDONMENT STATUS THROUGH DECEMBER 1, 1981
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CODE	BRANCH NAME	MILE POST	COMPANY NAME	ADDRESS	CITY	ST	ROUTE	APPRVL DATE	1980 BRANCH LINE ACTIVITY UNITS	TONS	REVENUE
A	TURTLE CREEK	7.[illegible]	84 LUMBER	PO BOX 84&4	EIGHTY FOUR	PA	222&77		32	1,&79	27,&&9
A	TURTLE CREEK	7.5	BECKWITH MACHINERY	PO BOX 8718	PITTSBUTGH	PA	222&77		61	691	34,446
A	TURTLE CREEK	10.1	BETABOND	2&&3 JEFFERSON	EXPORT	PA	222277		&9	3,972	9&,320
A	TURTLE CREEK	10.1	[illegible]ONG MILE RUBBER	2 BORLAND ROAD	EXPORT	PA	222277		43	3,772	97,329
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=TURTLE CREEK						439	23,431	$376,&92
			COMPLETE CUSTOMER TOTALS FOR BRANCH=TURTLE CREEK						439	23,431	$376,&92
A	TUSCARAWAS SEC	3.1	GEN COLOR & CHEMICAL	VALLEY ST	MINERVA	OH	2&2&27	031182	43	2,&99	29,&45
A	TUSCARAWAS SEC	4.0	SUMMITVILLE TILE INC	GENERAL DELIVERY	MINERVA	OH	2&2&27	031182	121	6,&39	92,972
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=TUSCARAWAS SEC						164	8,&39	$122,417
			COMPLETE CUSTOMER TOTALS FOR BRANCH=TUSCARAWAS SEC						164	8,&39	$122,417
A	UTICA BRANCH	194.4	NY ST ELECT & GAS CO	4&99 VESTAL PKWY	BINGHAMTON	NY	6&6251		0	0	0
A	UTICA BRANCH	194.8	NRX TECHNOLOGY	PIELFS ST	[illegible]INGHAMTON	NY	6&6251		3	79	2,593
A	UTICA BRANCH	195.0	CLAY EQUIPMENT CO	57 FRANKLIN AV	BINGHAMTON	NY	6&6251		0	0	0
A	UTICA BRANCH	195.6	GENERAL SERVICES ADM	POST [illegible]VE	BINGHAMTON	NY	6&6251		4	132	3,592
A	UTICA BRANCH	197.0	CCCP FEED DEALERS AS	RA[illegible]VILLE RD	CHENANGO BRIDG	NY	6&6251		&1	713	19,&79
A	UTICA BRANCH	210.6	RAYMOND CORP	50 CANAL ST	GREENE	NY	6&6252		2	&0	1,&79
A	UTICA BRANCH	210.8	PAGE SEED	PO BOX 159 1A GRE	GREENE	NY	6&6252		4	167	4,&&3
A	UTICA BRANCH	210.8	GREENE ACWAY FARM ST	20 CHERRY ST	GREENE	NY	6&6252		13	&20	9,993
A	UTICA BRANCH	210.8	MAYON FEED CO	3 WATER ST	GREENE	NY	6&6252		67	3,&20	&1,191
A	UTICA BRANCH	216.6	TEAMTRACK-VARIOUS		BRIDGEN	NY	6&6252		2	117	3,160
A	UTICA BRANCH	224.8	MCDOWELL-WALKER	MERCHANT ST	OXFORD	NY	6&6252		0	0	0
A	UTICA BRANCH	232.9	NORWICH BEVERAGE DIS	34 DEPOT ST	NORWICH	NY	6&6252		23	1,13&[illegible]	15,&72
A	UTICA BRANCH	232.9	ACWAY FERTILIZER DIV	58 1/2 HALE ST	NORWICH	NY	6&6252		12	979	11,&21
A	UTICA BRANCH	232.9	ERIGGS LUMBER CO	PO BOX 627	NORWICH	NY	6&6252		13	341	&,&25
A	UTICA BRANCH	232.9	VICTORY MARKETS INC	24 E MAIN ST	NORWICH	NY	6&6252		&45	23,13[illegible]	532,129
A	UTICA BRANCH	232.9	P O SMITH & SONS	PO BOX 125	NORWICH	NY	6&6252		2	[illegible]4	1,3[illegible]
A	UTICA BRANCH	234.4	NORWICH PHARMACAL	1327 ELTON AVE	NORWICH	NY	6&6252		35	1,592	42,199
A	UTICA BRANCH	234.4	HUMKO-SHEFFIELD CHEM	PO BOX 630	NORWICH	NY	6&6252		16	553	15,757
A	UTICA BRANCH	234.4	BENNETT-IRELAND	23 STATE ST	NORWICH	NY	6&6252		0	0	0
A	UTICA BRANCH	234.4	I L RICHER CO	1 RAILROAD ST	NEW BERLIN	NY	6&6252		355	19,703	397,&36
A	UTICA BRANCH	244.1	JAGUAY FEED CO	LEBANON ST	HAMILTON	NY	6&6252		14	&01	10,&46
A	UTICA BRANCH	244.1	I L RICHER CO	1 RAILROAD ST	NEW BERLIN	NY	6&6252		113	7,343	161,335
A	UTICA BRANCH	244.1	CHENANGO VALLEY PET	10 W STATE ST	SHERBURNE	NY	6&6252		94	4,005	79,711
A	UTICA BRANCH	244.1	WEEB & SONS INC	PO BOX 613	SHERBURNE	NY	6&6252		14	719	12,474
A	UTICA BRANCH	244.1	ACWAY INC	10 W STATE ST	SHERBURNE	NY	6&6252		10	&55	14,&53
A	UTICA BRANCH	244.1	CHESEBROUGH-POND'S	108 N MAIN ST	SHERBURNE	NY	6&6252		0	0	0
A	UTICA BRANCH	244.1	BAILEY LUMBER CO	RAILROAD ST	SMYRNA	NY	6&6252		5	231	7,&12
A	UTICA BRANCH	244.1	TIMOTHY RICE	RD 1	SHERBURNE	NY	6&6252		5	259	3,[illegible]69
A	UTICA BRANCH	249.2	TRI COUNTY IMPLEMENT	GENERAL DELIVERY	EARLVILLE	NY	6&6252		1	15	&26
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=UTICA BRANCH						1,673	&&,653	$1,434,041
			COMPLETE CUSTOMER TOTALS FOR BRANCH=UTICA BRANCH						1,673	&&,653	$1,434,041

CUSTOMER ABANDONMENT STATUS THROUGH DECEMBER 1, 1981
SORTED BY BRANCH NAME AND MILE POST
CODE: (A)=ABANDON, (B)=ABANDON-MASS. MAY PURCHASE, ( )=RETAIN
SOURCE: SALES SYSTEMS & CONTROLS

CODE	BRANCH NAME	MILE POST	COMPANY NAME	ADDRESS	CITY	ST	RDBR	APPRVL DATE	----1980 BRANCH LINE ACTIVITY----- UNITS	TONS	REVENUE
A	UTICA SEC	249.2	AGWAY INC	RD #1, BOX 7	EARLVILLE	NY	476252		0	0	0
A	UTICA SEC	263.8	WICKES LUMBER	P.O. BOX 430	WATERVILLE	NY	476252		17	840	14,671
A	UTICA SEC	264.0	AGWAY INC STORE	CONGER AVENUE	WATERVILLE	NY	476252		0	0	0
A	UTICA SEC	264.2	WAYNE FEEDS	P.O. BOX 27	SANGERFIELD	NY	476252		427	23,845	428,452
A	UTICA SEC	265.2	AGWAY INC FEED PLT	P.O. BOX 88	SANGERFIELD	NY	476252		831	47,030	876,671
A	UTICA SEC	265.3	TITAN HOMES	P.O. BOX 56	SANGERFIELD	NY	476252		2	189	2,972
A	UTICA SEC	265.3	LOUIS GALE & SONS	EAST BACON STREET	WATERVILLE	NY	476252		81	5,127	112,515
A	UTICA SEC	265.3	BOUCKVILLE MILLS	GENERAL DELIVERY	BOUCKVILLE	NY	476252		79	4,646	100,068
A	UTICA SEC	269.6	LINCOLN DAVIES	3639 SUMMIT ROAD	PARIS STATION	NY	476252		15	604	14,407
A	UTICA SEC	273.3	CENTRAL NEW YORK RAI	ONE RAILROAD AVE	COOPERSTOWN	NY	476252		21	1,268	16,401
A	UTICA SEC	275.0	I L RICHER	P.O. BOX 291	CLAYVILLE	NY	476252		214	11,366	212,845
A	UTICA SEC	278.9	THE MUM FARM CO	9011 RED HILL RD	NEW HARTFORD	NY	476252		5	156	1,490
A	UTICA SEC	279.4	REMET CORP	P.O. BOX 278	CHADWICK	NY	476252		15	836	11,734
A	UTICA SEC	281.1	AGWAY INC STORE	P.O. BOX 191	WASHINGTON MIL	NY	476252		4	180	4,113
A	UTICA SEC	282.5	CARRIAGE HSE FUR DIV	COMMERCIAL DRIVE	NEW HARTFORD	NY	476252		0	0	0
A	UTICA SEC	282.5	JAY K INDEPENDENT LU	SENECA TURNPIKE	NEW HARTFORD	NY	476252		41	1,616	35,654
A	UTICA SEC	283.5	NIAGARA MOHAWK POWER	CAMPION RD	NEW HARTFORD	NY	476252		7	306	6,519
A	UTICA SEC	283.5	MOHAWK CONTAINERS IN	CAMPION RD	NEW HARTFORD	NY	476252		438	24,898	352,928
A	UTICA SEC	283.5	CARPANELLI BROS INC	25 CAMPION RD	NEW HARTFORD	NY	476252		14	701	8,320
A	UTICA SEC	284.3	P F SCHEIDELMAN INC	1201 THORN ST	UTICA	NY	476252		62	1,574	44,632
A	UTICA SEC	284.7	BOSSERT MFG CORP	1002 ONEIDA ST	UTICA	NY	476252		0	0	0
A	UTICA SEC	284.8	FAY STREET WAREHOUSE	609 FAY ST	UTICA	NY	476252		11	557	14,620
A	UTICA SEC	285.5	F X MATT BREWING CO	811 EDWARD ST	UTICA	NY	476252		97	7,134	172,694
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=UTICA SEC						2,381	133,085	$2,431,714
			COMPLETE CUSTOMER TOTALS FOR BRANCH=UTICA SEC						2,381	133,085	$2,431,714
A	VERNON IND	252.2	BEACON FEED SERVICE	BROAD ST	ONEIDA	NY	474745		35	2,276	38,129
A	VERNON IND	252.5	DAIRYLEA COOP	PO BOX 509 GENESE	ONEIDA	NY	474745		43	1,937	33,936
A	VERNON IND	254.5	AGRICO CHEMICAL	PO BOX 268	ONEIDA	NY	474745		51	4,132	77,349
A	VERNON IND	257.7	AGWAY INC	JAMES ST	CANASTOTA	NY	474745		57	3,461	41,813
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=VERNON IND						191	11,806	$191,227
			COMPLETE CUSTOMER TOTALS FOR BRANCH=VERNON IND						191	11,806	$191,227
A	VULCAN SEC	316.7	SMITH DOUGLAS CO	7450 RIGA HWY BOX	RIGA	MI	363635		69	6,279	35,373
A	VULCAN SEC	317.3	SMITH DOUGLAS CO	6901 SILBERHORN H	BLISSFIELD	MI	363635		272	21,760	134,721
A	VULCAN SEC	317.6	CONSOLIDATED MILLS	6761 SILBERHORN R	BLISSFIELD	MI	363635		65	3,120	59,170
A	VULCAN SEC	318.1	BLISSFIELD COOP	10095 EAST U.S. 2	BLISSFIELD	MI	363635		24	1,680	13,476
A	VULCAN SEC	318.2	BLISSFIELD LUMBER CO	10007 EAST U.S. 2	BLISSFIELD	MI	363635		0	0	0
A	VULCAN SEC	318.5	BLISSFIELD CANNING	P.O. BOX 127	BLISSFIELD	MI	363635		39	1,776	20,473
A	VULCAN SEC	318.5	HOME CANNING CO	P.O. BOX 116	BLISSFIELD	MI	363635		20	278	2,833
A	VULCAN SEC	318.9	BLISSFIELD TEAMTRACK		BLISSFIELD	MI	363635		2	150	1,999
A	VULCAN SEC	322.8	SIMPLEX INDUSTRIES	EAST U.S. 223	PALMYRA	MI	363635		0	0	0
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=VULCAN SEC						491	35,043	$276,050
			COMPLETE CUSTOMER TOTALS FOR BRANCH=VULCAN SEC						491	35,043	$276,050

CUSTOMER ABANDONMENT STATUS THROUGH DECEMBER 1, 1981
SORTED BY BRANCH NAME AND MILE POST
CODE: (A)=ABANDON, (B)=ABANDON-MASS. MAY PURCHASE, ( )=RETAIN
SOURCE: SALES SYSTEMS & CONTROLS

	BRANCH NAME	MILE POST	COMPANY NAME	ADDRESS	CITY	ST	RDBR	APPRVL DATE	1980 BRANCH LINE ACTIVITY UNITS	TONS	REVENUE
A	W PITTSTON IND	0.1	STOECKLER WAREHOUSE	ANN ST	PITTSTON	PA	630595	030582	0	0	0
A	W PITTSTON IND	2.7	CELOTEX CORP	SR 92	HARDING	PA	630595	030582	166	5,542	149,628
A	W PITTSTON IND	3.0	PENNA POWER & LIGHT	SR 92	STANTON	PA	630595	030582	0	0	0
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=W PITTSTON IND						166	5,542	$149,628
			COMPLETE CUSTOMER TOTALS FOR BRANCH=W PITTSTON IND						166	5,542	$149,628
A	WALLKILL VALLEY	7.0	CENTURY CEMENT MFG.	*OUT OF BUSINESS*	ROSENDALE	NY	621435		0	0	0
A	WALLKILL VALLEY	14.4	AGWAY INC (COOP)	NO CHESTNUT STREE	NEW PALTZ	NY	621435		0	0	0
A	WALLKILL VALLEY	14.6	A.P. LE FEURE & SON	NO CHESTNUT STREE	NEW PALTZ	NY	621435		0	0	0
A	WALLKILL VALLEY	14.7	VIKING CORRUGATED CO	69 S. CHIOVILLE R	NEW PALTZ	NY	621435		5	65	2,033
A	WALLKILL VALLEY	14.7	ANDERSON BOX CO	LOWER MOHONK AVE.	NEW PALTZ	NY	621435		21	3,654	26,650
A	WALLKILL VALLEY	14.8	CROSS LUMBER CO	KYSERIKE ROAD	HIGH FALLS,	NY	621435		11	481	8,894
A	WALLKILL VALLEY	14.8	NEW PALTZ LUMBER CO	10 MAIN ST	NEW PALTZ,	NY	621435		0	0	0
A	WALLKILL VALLEY	20.5	INT CNTY FARMERS COO	P.O. BOX 185	GARDINER	NY	621435		0	0	0
A	WALLKILL VALLEY	24.0	WALLKILL CORRECTIONA	ROUTE 208	WALLKILL	NY	621435		0	0	0
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=WALLKILL VALLEY						37	4,170	$27,179
			COMPLETE CUSTOMER TOTALS FOR BRANCH=WALLKILL VALLEY						37	4,170	$27,179
A	WARREN INDUSTR	32.4	REGAL LUMBER CO.	171 SO. WORK ST.	FALCONER,	NY	252340	031182	7	311	4,406
A	WARREN INDUSTR	32.5	AMERICAN MFG. CO.	SO. WORK ST.	FALCONER,	NY	252340	031182	0	0	0
A	WARREN INDUSTR	32.6	AGWAY INC.	47 E. EVERETT ST.	FALCONER,	NY	252340	031182	10	427	9,392
A	WARREN INDUSTR	32.7	FALCONER FEED SERV	43 E. MAIN ST	FALCONER,	NY	252340	031182	0	0	0
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=WARREN INDUSTR						17	738	$13,800
			COMPLETE CUSTOMER TOTALS FOR BRANCH=WARREN INDUSTR						17	738	$13,800
A	WARREN-EMPORIU	92.5	HAMMERMILL PAPER CO.	P.O. BOX 1440	ERIE,	PA	232315		360	26,000	171,031
A	WARREN-EMPORIU	93.6	KANE HARDWOOD CO.	ROUTE # 6	KANE,	PA	232315		85	4,286	82,600
A	WARREN-EMPORIU	93.9	RICH GAS CO	TIONESTA AVENUE	KANE,	PA	232315		0	0	0
A	WARREN-EMPORIU	93.9	STACKPOLE CARBON CO.	WETMORE ST.	KANE,	PA	232315		12	534	11,333
A	WARREN-EMPORIU	94.0	NOVOSEL LUMBER CO.	118 FRALEY STREET	KANE,	PA	232315		16	1,042	16,340
A	WARREN-EMPORIU	94.0	KANOUSKY & LEVINE	3 POPLAR ST.	KANE,	PA	232315		97	5,214	74,974
A	WARREN-EMPORIU	94.9	KANE HANDLE CO	BIDDLE ST.	KANE,	PA	232315		32	1,616	10,829
A	WARREN-EMPORIU	99.0	NOVOSEL LT-SERGEANT	LAUREL AVENUE	KANE,	PA	232315		0	0	0
A	WARREN-EMPORIU	110.5	FENNTECH PAPERS, INC	100 CENTER STREET	JOHNSONBURG,	PA	232315		338	20,245	264,267
A	WARREN-EMPORIU	110.9	ALLIED CHEMICAL	P.O. BOX G	JOHNSONBURG,	PA	232315		67	3,511	82,378
A	WARREN-EMPORIU	117.5	MANNO CONSTRUCTION	N. BROAD STREET	RIDGWAY,	PA	232315		0	0	0
A	WARREN-EMPORIU	117.5	RIDGWAY PUBLISHING C	20 MAIN ST	RIDGWAY,	PA	232315		5	162	1,033
A	WARREN-EMPORIU	117.5	LOUISIANA PACIFIC CO	*OUT OF BUSINESS	RIDGWAY,	PA	232315		40	2,104	42,417
A	WARREN-EMPORIU	118.7	RIDGWAY COLOR	75 FRONT ST.	RIDGWAY,	PA	232315		0	0	0
A	WARREN-EMPORIU	118.7	RIDGWAY STEEL FABRIC	BARK STREET	RIDGWAY,	PA	232315		3	141	2,742
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=WARREN-EMPORIU						1,055	64,935	$782,230
			COMPLETE CUSTOMER TOTALS FOR BRANCH=WARREN-EMPORIU						1,055	64,935	$782,230

CUSTOMER ABANDONMENT STATUS THROUGH DECEMBER 1, 1981
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CO DE	BRANCH NAME	MILE POST	COMPANY NAME	ADDRESS	CITY	ST	RDBR	APPRVL DATE	----1980 BRANCH LINE ACTIVITY----- UNITS	TONS	REVENUE
A	WASEPI/MENDON	43.5	LAKESHORE ELEVATOR	133 RAILROAD ST.	COLON,	MI	535321	030582	2	144	1,983
A	WASEPI/MENDON	43.5	W.B. TOMLINSON AND S	326 N. BLACKSTONE	COLON,	MI	535321	030582	0	0	0
A	WASEPI/MENDON	55.7	FARM BUREAU SERVICES	19 RAILROAD ST.	UNION CITY,	MI	535321	030582	2	131	1,322
A	WASEPI/MENDON	55.7	UNION CITY INDUSTRIE	P.O. BOX 6	UNION CITY,	MI	535321	030582	0	0	0
A	WASEPI/MENDON	55.7	ALBRIGHT BUILDERS	8363 M-60 E	UNION CITY,	MI	535321	030582	0	0	0
A	WASEPI/MENDON	55.8	UNITED FARM SUPPLY	509 RAILROAD ST.	UNION CITY,	MI	535321	030582	11	1,053	8,997
A	WASEPI/MENDON	55.8	UNION CITY HARDWOOD	P.O. BOX 31	UNION CITY,	MI	535321	030582	3	99	2,021
A	WASEPI/MENDON	63.6	RANDALL FOOD PRODUCT	401 S MAIN ST	TEKONSHA,	MI	535321	030582	0	0	0
A	WASEPI/MENDON	63.6	CAREYS GARAGE SERVIC	100 U.S. 273	TEKONSHA,	MI	535321	030582	0	0	0
A	WASEPI/MENDON	63.6	KEEP AND MARTINSON L	921 N. WASHINGTON	TEKONSHA,	MI	535321	030582	0	0	0
A	WASEPI/MENDON	73.7	AGRICO FARM CENTER	209 DEPOT ST.	HOMER,	MI	535321	030582	18	1,677	17,163
A	WASEPI/MENDON	73.7	BARTON ASSOCIATES	6201 23 1/2 MILE	HOMER,	MI	535321	030582	1	43	500
A	WASEPI/MENDON	73.7	CALHOUN FOUNDRY	506 S CLAY ST	HOMER,	MI	535321	030582	0	0	0
A	WASEPI/MENDON	73.7	CHAMBERLAIN CONSTRUC	2486 26 MILE RD.	HOMER,	MI	535321	030582	1	10	406
A	WASEPI/MENDON	73.7	LUMBER VILLAGE	*OUT OF BUSINESS*	HOMER,	MI	535321	030582	0	0	0
A	WASEPI/MENDON	82.8	JOERS FARM CENTER	206 N MAIN ST	CONCORD,	MI	535321	030582	18	935	9,536
A	WASEPI/MENDON	83.0	DOUGLAS BROTHERS TRU	7530 PULASKI ROAD	CONCORD,	MI	535321	030582	0	0	0
A	WASEPI/MENDON	86.3	SPRING ARBOR LUMBER	7700 SPRING ARBOR	SPRING ARBOR,	MI	535321	030582	0	0	0
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=WASEPI/MENDON						56	4,092	$33,930
			COMPLETE CUSTOMER TOTALS FOR BRANCH=WASEPI/MENDON						56	4,092	$38,930
A	WATER ST IND	1.2	U.G.I. CORP.	262 CONESTOGA ST.	LANCASTER,	PA	131334	022382	0	0	0
A	WATER ST IND	1.3	POSEY IRON WORKS	560 SOUTH PRINCE	LANCASTER,	PA	131334	022382	4	192	1,890
A	WATER ST IND	1.4	MILLER METALS	220 WEST HAZEL ST	LANCASTER,	PA	131334	022382	105	5,625	54,519
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=WATER ST IND						109	5,817	$56,409
			COMPLETE CUSTOMER TOTALS FOR BRANCH=WATER ST IND						109	5,817	$56,409
B	WATUPPA SEC	7.8	MID CITY SCRAP IRON	548 STATE RD, RTE	WESTPORT,	MA	414199		16	720	11,294
B	WATUPPA SEC	9.5	UNION LIQUOR CO. INC	53 OLD BEDFORD RD	WESTPORT,	MA	414199		0	0	0
B	WATUPPA SEC	9.5	CHACE GRAIN & GARDEN	104 STATE RD.	WESTPORT,	MA	414199		12	360	5,469
B	WATUPPA SEC	11.1	FRITO-LAY, INC.	638 QUEQUECHAN ST	FALL RIVER,	MA	414199		125	8,125	264,690
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=WATUPPA SEC						153	9,205	$281,452
			COMPLETE CUSTOMER TOTALS FOR BRANCH=WATUPPA SEC						153	9,205	$281,452
A	WELLSVILLE BELT	1.1	STERLING CHINA CO.	12TH STREET	WELLSVILLE	OH	222230		75	4,933	$1,555
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=WELLSVILLE BELT						75	4,933	$1,555
			COMPLETE CUSTOMER TOTALS FOR BRANCH=WELLSVILLE BELT						75	4,933	$1,555
A	WEST BRADLEY	1.0	KANKAKEE SCRAP CORP	1000 N. WASHINGTO	KANKAKEE,	IL	323125		54	3,185	29,160
A	WEST BRADLEY	1.1	BELT ROUTE WAREHOUSE	160 W. BROOKMONT	KANKAKEE,	IL	323125		67	3,213	57,613

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CO DE	BRANCH NAME	MILE POST	COMPANY NAME	ADDRESS	CITY	ST	RDBR	APPRVL DATE	1980 BRANCH LINE ACTIVITY UNITS	TONS	REVENUE
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=WEST BRADLEY						141	6,399	$86,773
			COMPLETE CUSTOMER TOTALS FOR BRANCH=WEST BRADLEY						141	6,399	$86,773
A	WEST END	94.7	MCDERMOTT BROTHERS	3RD & WASHINGTON	ALLENTOWN	PA	630503 020382		3	225	1,275
A	WEST END	95.2	ALLENTOWN REFR TERM	531 WHITEHALL STR	ALLENTOWN	PA	630503 020382		15	660	17,993
A	WEST END	95.6	E. SCHNEIDER & SONS	POB 942	ALLENTOWN	PA	630503 020382		0	0	0
A	WEST END	95.7	CHARLES L. BELL CO.	FCB 1319	ALLENTOWN	PA	630503 020382		0	0	0
A	WEST END	96.0	ACORN DISTRIBUTORS	1033 SUMNER STREE	ALLENTOWN	PA	630503 020382		0	0	0
A	WEST END	96.2	UNITED COMPRESS STEE	13TH & WASHINGTON	ALLENTOWN	PA	630503 020382		36	1,908	22,252
A	WEST END	96.3	HAROLD STEPHENS CO.	16TH & SUMNER AVE	ALLENTOWN	PA	630503 020382		0	0	0
A	WEST END	96.8	RITTER & SMITH CO	1233 GORDON STREE	ALLENTOWN	PA	630503 020382		0	0	0
A	WEST END	96.9	WILKES BARRE CLAY	140 DILLEY STREET	FORTY FORT	PA	630503 020382		6	348	2,520
A	WEST END	96.9	ROBBINS DOOR & SASH	FCB 1490	ALLENTOWN	PA	630503 020382		57	1,197	32,370
A	WEST END	96.9	LUCKENBACH & JOHNSON	1828 TILGHMAN STR	ALLENTOWN	PA	630503 020382		8	72	10,526
A	WEST END	97.0	DIRECT OFF FURN OUTL	415 N. 15TH STREE	ALLENTOWN	PA	630503 020382		0	0	0
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=WEST END						125	4,410	$86,936
			COMPLETE CUSTOMER TOTALS FOR BRANCH=WEST END						125	4,410	$86,936
A	WEST PORT SEC	223.0	DECATOR CROP CENTER	RFD #4	GREENSBURG	IN	836344 030582		2	180	900
A	WEST PORT SEC	223.0	LOWE'S PELLETS-GRAIN	RFD #4	GREENSBURG	IN	836344 030582		2	76	1,041
A	WEST PORT SEC	224.0	CROWN ZELLERBACH COR	STATE RD., 46 WES	GREENSBURG	IN	836344 030582		122	9,412	108,700
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=WEST PORT SEC						126	9,668	$110,641
			COMPLETE CUSTOMER TOTALS FOR BRANCH=WEST PORT SEC						126	9,668	$110,641
A	WEST SECOND ST	0.7	GARDEN STATE CONTAIN	27-35 KENNEDY BOU	BAYONNE,	NJ	649260 031102		0	0	0
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=WEST SECOND ST						0	0	$0
			COMPLETE CUSTOMER TOTALS FOR BRANCH=WEST SECOND ST						0	0	$0
A	WESTFIELD SEC	13.0	SOHIGRO	RR #3	NOBLESVILLE	IN	838370 031182		20	1,700	8,500
A	WESTFIELD SEC	13.4	LAPEL GRAIN CO	606 WOODWARD STRE	LAPEL	IN	838370 031182		0	0	0
A	WESTFIELD SEC	13.5	PYROFAX GAS CORP	RR #3	NOBLESVILLE	IN	838370 031182		0	0	0
A	WESTFIELD SEC	18.5	FIRESTONE IND PRODS	1700 FIRESTONE BL	NOBLESVILLE	IN	838370 031182		310	15,899	349,388
A	WESTFIELD SEC	19.0	HAMILTON CTY FARM BU	STATE ROUTE 37 A.	NOBLESVILLE	IN	838370 031182		0	0	0
A	WESTFIELD SEC	21.2	CARTER LUMBER CO.	2107 WESTFIELD RD	NOBLESVILLE	IN	838370 031182		13	592	7,365
A	WESTFIELD SEC	21.3	PUBLIC SERVICE INDIA	P.O. BOX 312	W NOBLESVILLE	IN	838370 031182		2	120	1,191
A	WESTFIELD SEC	25.4	WESTFIELD GAS CORP	606 W PARK ST	WESTFIELD	IN	838370 031102		19	1,320	14,020
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=WESTFIELD SEC						364	19,759	$380,674
			COMPLETE CUSTOMER TOTALS FOR BRANCH=WESTFIELD SEC						364	19,759	$380,674
A	WHARTON & NORTH	11.4	PICATINNY ARSENAL		DOVER,	NJ	620209 022382		3	81	1,395

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CO DE	BRANCH NAME	MILE POST	COMPANY NAME	ADDRESS	CITY	ST	RDBR	APPRVL DATE	1980 BRANCH LINE ACTIVITY UNITS	TONS	REVENUE
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=WHARTON & NORTH						3	61	$1,395
			COMPLETE CUSTOMER TOTALS FOR BRANCH=WHARTON & NORTH						3	61	$1,395
A	WILKES-BAR IND	60.5	AIR PRODUCTS & CHEMI	SANS SOUCI HY	WILKES-BARRE	PA	631329		87	3,554	145,619
A	WILKES-BAR IND	61.3	VULCAN IRON WORKS	UNITED PENN EX BL	WILKES-BARRE	PA	631329		4	312	6,709
A	WILKES-BAR IND	61.4	SOLOMAN INDUSTRIES	STANTON & EMPIRE	WILKES-BARRE	PA	631329		2	60	324
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=WILKES-BAR IND						93	3,926	$152,652
			COMPLETE CUSTOMER TOTALS FOR BRANCH=WILKES-BAR IND						93	3,926	$152,652
A	WILKES-BAR SEC	175.0	FRANK HENRY LUMBER	540 SO MAIN ST	WILKES-BARRE	PA	630504		0	0	0
A	WILKES-BAR SEC	175.3	FRANKS LUMBER	20 RUDDLE ST	WILKES-BARRE,	PA	630504		0	0	0
A	WILKES-BAR SEC	175.4	ROBBINS DOOR & SASH	145 E NORTHAMPTON	WILKES-BARRE,	PA	630504		117	3,978	44,424
A	WILKES-BAR SEC	176.1	SHELBURNE DISTRIBUTI	169 NO PENNA AVE	WILKES-BARRE,	PA	630504		0	0	0
A	WILKES-BAR SEC	176.1	T. C. THOMAS CO	PENNA AVE & UNION	WILKES-BARRE,	PA	630504		0	0	0
A	WILKES-BAR SEC	176.1	WHITEMAN PAPER	56 E UNION ST	WILKES-BARRE,	PA	630504		4	160	1,993
A	WILKES-BAR SEC	176.1	POMEROY WAREHOUSE	60 E. UNION ST	WILKES-BARRE,	PA	630504		0	0	0
A	WILKES-BAR SEC	176.1	WILKES-BARRE WHOLESA	19 BENNETT ST	WILKES-BARRE	PA	630504		0	0	0
A	WILKES-BAR SEC	176.5	TOMASSETTI STONE CO	271 NO PENNA AVE	WILKES-BARRE	PA	630504		0	0	0
A	WILKES-BAR SEC	176.5	CONCOLEUM CORP	287 NO PENNA AVE	WILKES-BARRE,	PA	630504		0	0	0
A	WILKES-BAR SEC	176.6	STRESSTEEL PRODS	221 CONYNGHAM ST	WILKES-BARRE,	PA	630504		0	0	0
A	WILKES-BAR SEC	176.6	ROTH AMERICAN CO.	356 N. PENNA AVE	WILKES-BARRE,	PA	630504		0	0	0
A	WILKES-BAR SEC	176.6	NATIONWIDE TIRE	219 CONYNGHAM ST.	WILKES-BARRE,	PA	630504		4	120	3,833
A	WILKES-BAR SEC	176.6	CARLON SALES	125 MILLER ST	WILKES-BARRE	PA	630504		39	1,635	30,495
A	WILKES-BAR SEC	177.3	MITCHELL PRODUCE	42 CONYNGHAM AVEN	WILKES-BARRE	PA	630504		11	550	11,651
A	WILKES-BAR SEC	177.3	WILKES-BARRE STORAGE	CONYNGHAM & QUACH	WILKES-BARRE,	PA	630504		102	2,754	42,740
A	WILKES-BAR SEC	177.3	PAINCRI BROS.	43 CONYNCHAM AVE	WILKES-BARRE,	PA	630504		6	200	7,013
A	WILKES-BAR SEC	177.9	L. V. COAL	BX 430	PITTSTON	PA	630504		42	3,444	37,928
A	WILKES-BAR SEC	177.9	UNITED FURNITURE	667 NO RIVER RD	WILKES-BARRE,	PA	630504		2	66	643
A	WILKES-BAR SEC	178.9	PREMIUM BRANDS	105 SO. RIVER ST.	PLAINS,	PA	630504		5	250	2,976
A	WILKES-BAR SEC	180.6	LUZERNE PRODS.	COURTRIGHT AVE	PLAIN	PA	630504		0	0	0
A	WILKES-BAR SEC	181.7	MILAZZO INDUSTRIES	1609 RIVER RD	PORT BONKLEY	PA	630504		46	2,116	69,060
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=WILKES-BAR SEC						378	15,364	$253,166
			COMPLETE CUSTOMER TOTALS FOR BRANCH=WILKES-BAR SEC						378	15,364	$253,166
A	WILLIAMSVILLE	440.1	BUFFALO PERLITE CO.	90 SUGG RD.	CHEEKTOWAGA,	NY	480615	022382	37	3,549	35,610
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=WILLIAMSVILLE						37	3,549	$35,610
			COMPLETE CUSTOMER TOTALS FOR BRANCH=WILLIAMSVILLE						37	3,549	$35,610
A	YOUGHIOGHENY	0.2	HURWOOD, IRWIN INC	POB 409	IRWIN	PA	220380	020382	0	0	0
A	YOUGHIOGHENY	0.9	STITELY LUMBER INC	POB 514	IRWIN	PA	222600	020382	15	1,017	16,449
A	YOUGHIOGHENY	1.8	IRWIN BUILDERS SUPP	POB 486	IRWIN	PA	222300	020382	6	237	3,367

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CO DE	BRANCH NAME	MILE POST	COMPANY NAME	ADDRESS	CITY	ST	RDBR	APPRVL DATE	1980 BRANCH LINE ACTIVITY UNITS	TONS	REVENUE
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=YOUGHIOGHENY						21	1,254	$19,816
			COMPLETE CUSTOMER TOTALS FOR BRANCH=YOUGHIOGHENY						21	1,254	$19,816
A	Z & W	46.1	CENTRAL SILICA CO	806 MARKET ST	ZANESVILLE	OH	818139	031282	727	47,087	426,953
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=Z & W						727	47,087	$426,953
			COMPLETE CUSTOMER TOTALS FOR BRANCH=Z & W						727	47,087	$426,953
A	ZANESVILLE SEC	17.8	ZANESVILLE STONEWARE	309 PERSHING ST	ZANESVILLE	OH	228135		0	0	0
A	ZANESVILLE SEC	18.4	MUSKINGHAM IRON&METL	345 ARTHUR ST	ZANESVILLE	OH	228135		32	2,432	24,616
A	ZANESVILLE SEC	19.0	FINLAW LUMBER CO	98 E LA SALLE	ZANESVILLE	OH	228135		8	432	5,074
A	ZANESVILLE SEC	25.7	HIGGINS LUMBER CO	5435 SECOND ST	ROSEVILLE	OH	818135		20	1,030	15,200
A	ZANESVILLE SEC	25.7	ROBINSON RANSBOTTOM	RANSBOTTOM RD	ROSEVILLE	OH	818135		6	270	2,100
A	ZANESVILLE SEC	26.7	NELSON MCCOY CO	541 GORDON ST	ROSEVILLE	OH	818135		156	8,268	113,100
A	ZANESVILLE SEC	26.7	HORIZON COAL CO	50 N. 4TH ST	ZANESVILLE	OH	818135		0	0	0
A	ZANESVILLE SEC	26.9	BRUSH POTTERY	14 PERRY ST	ROSEVILLE	OH	818135		0	0	0
A	ZANESVILLE SEC	26.9	FRIENDSHIP POTTERY	90 CHURCH ST	ROSEVILLE	OH	818135		6	366	3,018
A	ZANESVILLE SEC	30.0	CESCO	P.O. BOX 151	CROOKSVILLE	OH	818135		51	2,703	32,487
A	ZANESVILLE SEC	30.2	HULL POTTERY	325 AMERINE ST	CROOKSVILLE	OH	818135		24	1,032	19,512
A	ZANESVILLE SEC	30.2	CESCO	P.O. BOX 151	CROOKSVILLE	OH	818135		51	2,703	32,487
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=ZANESVILLE SEC						354	19,286	$247,394
			COMPLETE CUSTOMER TOTALS FOR BRANCH=ZANESVILLE SEC						354	19,286	$247,394
A	ZANESVILLE TERM	2.0	STANLEY HOME PROD	1365 CHAMBERLIN	ZANESVILLE	OH	228144		0	0	0
A	ZANESVILLE TERM	2.3	MCGRAW EDISON	1506 PERSHING	ZANESVILLE	OH	228144		57	3,993	123,991
A	ZANESVILLE TERM	2.6	ZANESVILLE IND WHSE	1432 VIRGINIA	ZANESVILLE	OH	228144		4	120	1,400
A	ZANESVILLE TERM	2.7	INTEGRITY SUPPLY	1730 DEARBORN	ZANESVILLE	OH	228144		0	0	0
A	ZANESVILLE TERM	3.3	BROCKWAY GLASS	1700 STATE ST	ZANESVILLE	OH	228144		685	49,225	602,985
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=ZANESVILLE TERM						746	53,343	$728,366
			COMPLETE CUSTOMER TOTALS FOR BRANCH=ZANESVILLE TERM						746	53,343	$728,366
A	101 & 102 R T	391.0	BATTENFELD AMERICAN	1575 CLINTON ST.	BUFFALO	NY	406464	031182	55	3,997	75,256
A	101 & 102 R T	391.6	DISTRIBUTION TRUCK L	1593 CLINTON ST.	BUFFALO,	NY	406464	031182	5	125	3,690
A	101 & 102 R T	391.8	GTO-GREEN	717 ELK ST.	BUFFALO,	NY	406464	031182	7	600	7,653
A	101 & 102 R T	392.2	MOBIL OIL CO.	625 ELK ST.	BUFFALO,	NY	406464	031182	461	31,225	587,349
			ABANDONNED CUSTOMER TOTALS FOR BRANCH=101 & 102 R T						528	35,947	$673,953
			COMPLETE CUSTOMER TOTALS FOR BRANCH=101 & 102 R T						528	35,947	$673,953
			CUMULATIVE TOTALS FOR ABANDONNED CUSTOMERS ON ALL BRANCHES=						44,825	2,528,442	$38,879,086
			CUMULATIVE TOTALS FOR EVERY CUSTOMER ON ALL BRANCHES=						44,825	2,528,442	$38,879,086

Sen. Andrews: Provide your recommendations of Conrail's capital needs over the next four years in terms of permanent facilities, track, locomotives, and railcars. Please state any assumptions (regarding traffic, the economy, funding, etc.) on which your recommendations are based.

Mr. Crane: Due to Conrail's uncertain long term future we are only planning our capital budget for a one year period. I am attaching a portion of our 1982 capital program including a list of our planning assumptions and a summary table by program. (See attached)

1982 Proposed Capital Program
Planning Assumptions

- o ICC Profit of at least $50 million
- o No further Federal Drawdown
- o No increase in deferred maintenance
- o Focus on a Post-rationalized System
- o Optimize the utilization of existing assets and provide for the needed long-term replacement of critical assets

1982 Proposed Capital Program
By Program
(Millions 1982 Dollars)

	1982 Proposal	1982 FSP .I	1/ 1981 Forecast 1982 $	1981 $
Discretionary Track Rehabilitation	$ 223	$ 297	$ 216	$ 206
Additions and Improvements	107	154 2/	113	106
Equipment:				
Revenue	59	155	15	15
Nonrevenue	37	85	46	43
Total Equipment	96	240	61	58
Total Program	$ 426	$ 691	$ 390	$ 370

1/ January-October actual; November-December estimate.

2/ Presented as $167 million in FSP II, but included $13 million in expense incident.

Sen. Andrews: Describe the general condition of Conrail's track. Please describe the work that has been done to upgrade Conrail track in 1981. Which lines have received the most attention? What has been the cost of these improvements? -- What work remains for FY 1982?

Mr. Crane:

The present condition of Conrail's heavier tonnage lines and important routes is excellent. There remains some upgrading required in yards and light tonnage branch lines. One measure of present condition are the miles of slow ordered track.

Temporary slow orders or speed restrictions have been reduced from 7996 miles on April 1, 1976 to 3040 miles at the end of 1981. Some of the remaining miles of slow orders are on lines which we have filed for abandonment.

Work accomplished in 1981 to upgrade Conrail's trackage included installation of 1.7 million crossties, 370 track miles of welded rail and surfacing 6513 track miles, as well as renewal of 470 turnouts. The overall cost of the work done in 1981 was $210 million.

The 1981 program allocated the following work to the listed tonnage line categories:

MGT	% TIES	% RAIL
1 - 3	31.1%*	5.6%
3 - 5	5.9%	4.7%
5 -10	14.5%	14.4%
10 -20	24.2%	42.8%
20 -40	22.0%	29.9%
40+	2.3%	2.6%

*50% of these ties were installed in yards.

The 1982 program consists of renewal of 1.6 million ties, 391 track miles of continuous welded rail, surfacing 6838 track miles, renewal of 700 turnouts at a cost of $230 million.

Sen. Andrews: What is your estimate of the amount of money which could be used by Conrail before the close of 1982 for separation payments in which both the employee and the position were terminated?

-- Please indicate the number of positions which could be eliminated and the recommended amount per position.

Mr. Crane:

Fifteen million dollars was authorized by the Staggers Rail Act of 1980, and appropriated by the Fiscal Year 1981 Supplemental Appropriation Act, for use by Conrail in its implementation of a workforce reduction program. The Northeast Rail Service Act transferred those fund for use under Section 1143 of NERSA. In December, 1981, the $15 million was expended for the payment of termination allowances to 300 train service employees and 300 engine service employees.

An additional $115 million in program funding has been authorized by the Regional Rail Reorganization Act of 1973, as amended, of which $100 million was appropriated by the Department of Transportation and Related Agencies Appropriations Act for 1982. In February, 1982, Conrail terminated 942 train service employees and 717 engine service employees. To date, a total of 2259 employees have been terminated pursuant to the workforce reduction program. An equal number of positions is eligible to operate with reduced crews as indicated below:

1242 - Train Service
976 - Freight Engine Service
41 - Commuter Engine Service

2259 - Total

Of the $100 million appropriation referred to above, $41 million has been expended, and $59 million remains available.

Given current levels of business, Conrail intends ultimately to terminate a total of approximately 2400 trainmen, approximately 1300 freight enginemen, and approximately 80 commuter enginemen, and eliminate a corresponding number of positions. If business levels improve, Conrail will seek to terminate additional employees.

Sen. Andrews: Now that the deadline for filing for the rail act's Title VII labor protection benefits has been extended, how many Conrail employees will be eligible for these benefits?

If employees qualify for benefits under Title VII, what options do they have in receiving those benefits? Please detail these for the record.

Mr. Crane: As you are aware, the United States Railroad Retirement Board was charged by the Congress with administering the new Section 701 labor protection. Therefore, all data concerning obligation made to date and the numbers of employees who have received benefits would have to be obtained from the Railroad Retirement Board.

Sen. Andrews: The act makes separate provisions for certain train and engine service employees whose positions may be terminated under the rail act. These employees are eligible for a separation allowance paid directly by Conrail rather than the Railroad Retirement Board. Detail how many of these types of employees qualify for payment by Conrail and what the estimated cost of this will be.

Mr. Crane: Fifteen million dollars was authorized by the Staggers Rail Act of 1980, and appropriated by the Fiscal Year 1981 Supplemental Appropriation Act, for use by Conrail in its implementation of a workforce reduction program. The Northeast Rail Service Act transferred those funds for use under Section 1143 of NERSA. In December, 1981, the $15 million was expended for the payment of termination allowances to 300 train service employees and 300 engine service employees.

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2400 trainmen, approximately 1300 freight enginemen, and approximately 80 commuter enginemen, and eliminate a corresponding number of positions. If business levels improve, Conrail will seek to terminate additional employees.

Sen. Andrews: In order to protect the interests of everyone involved, should Conrail be sold as a single entity or in separate pieces? Provide justification for this.

Mr. Crane: The sale of Conrail as an entity would clearly best serve the interests of all parties. The first and foremost benefit would be the maintenance of a Class I, long haul, integrated operating business which would provide competitive transportation services on an economical yet profitable basis in the Northeast Midwest region. Secondly, if Conrail can continue its progress toward profitability, sale of as an entity could be the least expensive alternative to the Federal Government since a piecemeal sale would not only create substantial direct costs to the Government in the transfer process but would also create indirect costs such as increased unemployment and traffic diversions to more costly modes of transportation. In fact, Conrail estimated last year as a part of the debate on NERSA, that if all of its lines were sold within a two year period the cost would approach $1.7 billion. Thirdly, sale as an entity would preserve the maximum number of rail related jobs in the Northeast/Midwest region thereby avoiding the potentially enormous Sec. 701 labor protection costs which would occur in a piecemeal transfer.

Sen. Andrews: "Detail for the record what steps remain to be taken to make Conrail attractive to potential buyers."

Mr. Crane: The following areas of continuing emphasis or new action are important for Conrail to be attractive to potential buyers:

1. Continue efficiency measures, plant rationalization, and productivity improvements to ensure an adequate earnings trend despite potentially reduced traffic levels

   a) Net income from operations should increase from 1982 through 1984 with an ICC profit each of the three years.

   b) Sufficient cash should be generated each year for coverage of operations, capital requirements, debt retirement, and adequate reserves. No further federal investment to be made.

2. In order to provide an acceptable debt-equity ratio, Conrail's balance sheet must be restructured to substantially reduce or eliminate debt and "near debt" through conversion of the Series "A" and Series "B" Preferred Stock and the 7½% Debentures to Common Stock.

3. Freight Service to shippers must be equal to or improved from 1981 levels, to preserve competitive strength.

4. Transfer of passenger operations must be completed on schedule to commuter agencies or Amtrak Commuter as provided by NERSA, without lingering financial, operational, or administrative functions and liabilities beyond January 1, 1983.

5. Conrail's physical plant and equipment must be reduced to levels required to handle projected traffic by

   a) actively progressing the next phases of the branch-line abandonment program provided for in NERSA

   b) sale of unprofitable line segments of railroad and trackage no longer required for efficient Conrail operations

c) plant and facility consolidation and rationalization to levels commensurate with operating and maintenance requirements based on traffic projections

d) selling or scrapping surplus locomotives and freight cars, after providing for anticipated shipper and operational requirements including a safety factor for potential increases in the level of business above projected traffic.

6. Work with the Government's Investment Banker to develop necessary financial and statistical information required by potential buyers to enable them to assess the worth of the property, viability, risks, traffic potential, operational performance, borrowing power, economic environment, tax advantages, and all other associated areas vital to a successful acquisition or merger.

Sen. Andrews: Explain the difference between the two procedures (GAAP vs. ICC Accounting) and why they result in such vastly different profitability estimates.

Mr. Crane: The difference between these two accounting bases results from the capitalization of certain track rehabilitation work under Generally Accepted Accounting Principles (GAAP), but which is expensed under ICC accounting rules. Under GAAP accounting, certain track work, such as installation of railroad ties, new rail, or additional ballast, qualifies for accounting treatment as a capital cost and is subsequently depreciated over the life of the asset. Under ICC accounting rules, these same expenditures are treated as operating expenses--roadway maintenance costs, in the period in which they are incurred, thereby greatly reducing the indicated profitability.

Sen. Andrews: The government accounts for about 2/3 of Conrail's $2 billion in liabilities. To whom is the remaining 1/3 owed?

Mr. Crane: Total liabilities, including stockholders' equity, approximate $5.7 billion. Of this total, $3.2 billion represents the debentures and preferred stock owned by the government. The remaining liabilities are due equipment lessors for freight car and locomotive rentals under long-term leases, and also represent accrued liabilities for casualty reserves, unpaid bills owing to vendors, accrued wages due employees, or accrued payroll or property taxes.

Sen. Andrews: Beginning March 5, new standards went into effect regarding Conrail's allocation of train supplies and expenses on branch lines handling cars under a service continuation subsidy. What is the expected impact of these changes?

-- Will subsidies be reduced or increased?

Mr. Crane: The expected impact of the new standards on allocation of train supplies and expenses on branchlines handling cars under a service continuation subsidy will be an increase in subsidy costs per unit. There will be no decrease in subsidy costs per unit. Therefore, it is highly likely that states will experience increased subsidy costs on individual lines.

It is possible that overall subsidy revenues decrease, however, because several states are now contemplating eliminating all or most of their subsidy lines, or seeking alternative service.

Senator Andrews: "How does Conrail's profitability picture compare with that of other railroads in the same class?"

- Show a comparison for 1980, 1981, and the first quarter of 1982."

Mr. Crane: The following table compares the Net Income for Conrail with various major Class I railroads on an ICC basis for the years 1980 and 1981. No data is currently available for the first quarter of 1982. 1981 Freight Revenues are also shown to provide an indication of the relative size of each road's level of business.

1980 and 1981 NET INCOME
Class I Railroads
(ICC Basis Unless Noted)

(Dollars in Millions)

	1981 Freight Revenue	1981 Net Income	1980 Net Income
Conrail, GAAP Basis	$ 3,339	$ 39	$ (244)
Conrail, ICC Basis	3,339	(107)	(406)
ATSF	2,318	111	163
Bessemer & Lake Erie	111	23	21
Boston & Maine	116	6	(5)
Burlington Northern [1]	3,979	309	256
Chessie System [2]	2,117	260	174
Chicago & North Western	883	19	(2)
Milwaukee Road	352	173*	(206)
Delaware & Hudson	114	(15)	(9)
Denver & Rio Grande Western	329	30	28
Duluth, Missabe & Iron Range	106	13	12
Elgin, Joliet & Eastern	66	12	15
Family Lines System [3]	2,627	301	219
Florida East Coast	100	12	19
Grand Trunk System [4]	307	5	(5)
Illinois Central Gulf	951	(6)	(27)
Kansas City Southern	295	27	24
Long Island	19	(33)	(16)
Missouri-Kansas-Texas	254	8	3
Missouri Pacific	1,835	148	123
Norfolk & Western	1,719	291	232
Pittsburgh & Lake Erie	77	22	7
SOO Line	324	36	34
Southern	1,751	212	181
Southern Pacific [5]	2,579	109	98
Union Pacific	2,070	167	165
Western Pacific	186	9	6

1. Includes Colorado & Southern and Ft.Worth & Denver
2. Includes C&O, B&O, and Western Maryland
3. Includes SCL, L&N, and Clinchfield
4. Includes DT&I
5. Includes St. Louis Southwestern (Cotton Belt)
* Includes real estate sales and other extraordinary items (loss of $80 million without these items).

Senator Andrews: Provide a profile by age of Conrail's workforce showing how many workers are in each age bracket. Explain in narrative what the profile indicates regarding Conrail's labor reduction program.

Mr. Crane: The attached computer printout dated February 17, 1982, records numbers of Conrail employees by age group and by crafts. The average age of train service employees (UTU - C&T) is 46.1 years. Of the 1242 train service employees who have received termination allowances, over 70% (875) had sufficient service (at least 30 years) to qualify for retirement. As of March 15, 1982, 3285 train service employees were furloughed and eligible for eventual recall to active service as needed. These facts demonstrate that Conrail will retain an ample source of qualified train service personnel following full implementation of the workforce reduction program. It should be noted also that the statutory provision permitting a "blanking" of positions equal to the number of employees terminated is necessary to insure the program's success. In the absence of this provision, many of the positions vacated by terminees would have been filled immediately by employees on furlough.

The average age of engine service employees (UTU-E and BLE) is 46.3 years. Of the 1017 engine service employees who have received termination allowances, over 58% (593) had at least 30 years of service. As of March 15, 1982, 1142 engine service employees were furloughed and eligible for recall. Conrail is confident that an ample source of qualified engine service employees will be retained following full implementation of the program.

Senator Andrews: If Conrail is able to achieve full implementation of the workforce reduction program, what are the expected savings in operating costs which will be achieved?
How many employees does Conrail currently have on furlough? What percentage of the total workforce is this?

Mr. Crane: Conrail expects to realize operating cost savings of approximately $100 million per year following full implementation of the workforce reduction program. Savings for the 1982 calendar year are projected to be approximately $62 million.

The attached report dated March 15, 1982, records 16,039 furloughed employees. This figure is 24% of the 67,834 employees contained in the attached computer printout dated February 17, 1982 (see answer to question #20.)

Sen. Andrews: a) "What sort of progress has been made to date in selecting an Investment Banker?"

Mr. Crane: Section 1142 of the Northeast Rail Service Act of 1981 mandates that as soon as practicable after the effective date of the Act, the Department of Transportation engage the services of an investment banking firm which "shall arrange for the sale of the interest of the United States in the common stock of the Corporation under this section." While the legislation does not prescribe a formal role for Conrail in the selection process, we have been advised that a number of investment bankers have given presentations before the Department.

Sen. Andrews: b) "Does Conrail have the option of selecting its own banker?"

Mr. Crane: The Act specifically directs DOT to select the Investment Banker to represent the U.S. Government in the sale of Conrail. Conrail is not, however, precluded from having its own Investment Banker. Conrail's Board of Directors recognizes the possible

need at some future date for separate Investment Banker counsel with respect to its fiduciary responsibility regarding the minority stockholder interest. To date, however, this separate assistance of a Conrail employed Investment Banker has not been found necessary.

Sen. Andrews: c) "Would this be a workable alternative to waiting for the Department of Transportation to reach a decision?"

Mr. Crane: The NERSA specifically provides that DOT will select the Investment Banker to represent the Government's interest. A selection by Conrail could not satisfy that requirement.

Sen. Andrews: d) "What will be the impact of not selecting an Investment Banker within, say, the next few months?"

Mr. Crane: There are a number of critical decisions that must be made by mid-1982 for which it would be helpful to have the benefit of the designated Investment Banker. In addition there is considerable background financial and statistical information that must be developed over the next few months by Conrail personnel, which will be required to assess the Company's saleability. This work is currently underway so as not to delay implementation of Conrail's sale once DOT's Investment Banker has been appointed.

Sen. Andrews: How much of a cushion did you plan for in your profitability projections?

How much of a decline of traffic can Conrail bear without becoming unprofitable in 1982?

Mr. Crane: Conrail's 1982 Budget forecasts a profit of $218 million on a GAAP basis, which includes contingency reserves of $60 million. Current projections of traffic indicate levels almost 10% below 1981 and lower than budget. Cost reductions are being managed to substantially mitigate the effect of these declines. Probably an additional traffic decline of 10% beyond current projections would cause our bottom line to be close to zero.

Sen. Andrews: Based on your apparent healthy level of cash reserves, the $85 million appropriated to Conrail in 1982 will remain available in 1983?

Mr. Crane: Conrail does not expect to require any further borrowings from the federal government. However, it is essential that the $85 million remain available to Conrail as a line of credit to cover unforeseen disasters.

Sen. Andrews: Your monthly net income for 1981 shows improvement over 1980 in every month except December. Why did you show this decline at the end of last year?

Mr. Crane: As with most large corporations, many year-end adjustments are required each December to bring accurals in line with actual results. In 1981, Conrail's favorable and unfavorable adjustments were about equal, while in 1980 they were favorable by about $11 million. As a result of this, the unadjusted loss in 1980 was $25 million compared to $16 million in 1981, reflecting an improvement of $9 million.

Irrespective of this situation, the traffic declines of 1981 were severe. By the fourth quarter 1981, carloadins had dropped by about 20% from the previous year with Conrail's key traffic in steel and automobiles being down 25% by year end. The results of the first quarter of 1982, however, have actually been better than for the comparable period in 1981 despite this continued substantial drop in carloadings.

A principal cause of the December 1981 financial performance being worse than the prior year was the rapidly deteriorating traffic base. December carloadings were 62.2 thousand and a full 20.5% below year earlier levels. These were the largest short-

falls for any month in 1981 in both absolute and relative terms. Moreover, the speed with which the year end carloadings deficits developed was quite rapid. For example, third quarter traffic actually showed a slight increase over 1980 as compared with the very large December deficit.

The weak December traffic was a reflection of the cumulative effect of recession on production, and in particular, in the key to Conrail steel and automotive sectors. Production in each of these industries was down 25% in December from the 1980 level.

Senator Andrews: Conrail signed a wage deferral agreement last may which will keep wage increases .12% behind the national level of railroad wages. Can you explain to the subcommittee a little bit about this agreement and what savings Conrail should realize from it?

I understand that the Brotherhood of Locomotive Engineers has failed to sign the wage deferral agreement and has brought suit against Conrail. What is the status of this litigation?

What will be the impact on labor costs if the Brotherhood wins the suit?

Mr. Crane: An Agreement for Labor contribution to self-sufficiency for Conrail, dated May 5, 1981, has been signed and ratified by all of Conrail's principal unions, with the exception of the Brotherhood of Locomotive Engineers (BLE). The Agreement, as applied, provides that until July 1, 1984, Conrail employees will not receive wage increases until Conrail wage rates are 12% below the rail industry wage level. Effective July 1, 1982, Conrail employees will reach the 12% differential. At the time of the May 5, 1981 labor agreement, Conrail projected annual savings of approximately $200 million resulting from lower wage increases than those settled upon nationally in the rail industry. These projected savings were based on early 1981 projected traffic and cost improvement goals. Conrail's latest projections indicate an employment level approximately 7000 lower than anticipated earlier in the year. The reduced employment results from the continued recessionary business conditions as well as additional operating efficiencies. Based on the current business outlook and expected employment levels, Conrail will realize savings of approximately $160 million per year in agreement payroll costs through the wage defferential. Non-agreement employees are subject to an equivalent wage increase sacrifice, which will result in non-agreement payroll savings of approximately $20 million per year.

In December, 1981, the BLE sued Conrail in the Special Court established pursuant to Section 209 of the Regional Rail Reorganization Act of 1973, as amended, alleging that Conrail had failed to negotiate in good faith on the BLE's wage increase requests served January 3, 1981. The suit arose because Conrail seeks to have the BLE become a party to the May 5 Agreement, and because Conrail seeks to have BLE proposals for rule changes submitted to the factfinding panels required by Section 712 of the Regional Rail Reorganization Act of 1973, as amended.

It is Conrail's position that it has in fact negotiated in good faith with respect to the notices served by the BLE, and continues to make every reasonable effort to reach agreement with the BLE on labor contributions to Conrail that correspond to those made by over 90% of Conrail employees pursuant to the May 5 Agreement. The BLE has moved the Special Court for summary judgment on its complaint.

In the event the Special Court rules in favor of the position of the BLE, there will be no material change in the bargaining framework. As long as any agreement reached with the BLE contains wage deferrals substantially identical to those contained in the May 5, 1981 Agreement, there will be no adverse effect on projected labor cost savings. However, if Conrail is in some manner coerced into granting employees represented by the BLE any wage increase in excess of those authorized by the May 5, 1981 Agreement, the impact on projected labor cost savings will be considerable. Conrail, coincident with the signing of the May 5, 1981 Agreement, agreed with the signatory labor organizations that if Conrail negotiates an agreement with an organization not signatory to the May 5, 1981 Agreement, which does not contain wage deferrals substantially the same as those contained in the May 5, 1981 Agreement, the wage deferrals or lack thereof contained in the agreement with the non-signatory organization shall be applicable immediately to the employees represented by the signatory organizations.

- Attachments -

YEAR-END 1981 AGE / YEARS OF SERVICE SUMMARY

(NOTE: INCLUDES ONLY EMPLOYEES PAID IN DECEMBER 1981)

UNION AFFILIATION	TOTAL EMPLS	PCT TITLE V PROTECTED	AVG AGE	AVG SERV	LESS 25	25-35	35-45	45-55	55-60	60-65	65+
U.T.U. - C & T	14,316	87.9	46.1	22.3	184	3,001	2,989	4,003	2,699	1,370	70
U.T.U. - E	2,671	77.0	39.3	14.9	73	1,048	825	437	196	71	1
B.L.E.-ENGRS	4,788	94.0	50.2	27.4	15	643	823	1,077	1,313	859	58
B.R.A.C.-CLERKS	10,774	73.9	44.9	19.9	355	2,708	2,053	2,446	2,361	756	95
B.R.A.C.-TC DIV	2,013	79.7	45.4	20.8	59	483	343	555	441	127	5
B.M.W.E.- M OF W	8,763	48.9	39.3	13.1	443	3,897	1,520	1,468	1,004	381	50
B.R.S.-SIGNALMEN	2,580	49.3	39.1	14.7	208	1,068	418	481	313	86	6
I.A.M.-MACHINIST	2,092	71.8	42.4	16.9	59	702	465	363	367	127	9
I.B.B.B.	171	55.9	42.4	14.1		60	39	36	27	9	
I.B.E.W.-ELECTRS	2,609	56.5	40.7	15.1	126	1,025	466	478	394	118	2
I.B.F.&O.	936	42.9	39.6	12.4	79	402	112	139	140	58	6
S.M.W.I.A.-SHT M	733	58.0	40.8	14.8	43	272	136	138	100	40	4
T.W.U.-CARMEN	4,077	73.2	44.3	19.9	78	1,333	575	865	908	299	19
B.R.C.-CARMEN	846	76.3	47.0	21.4	21	177	117	239	224	66	2
I.B.T.-POLICE	786	44.3	36.9	10.2	25	401	208	92	45	15	
A.R.S.A.-SUPVRS	2,011	73.7	43.7	19.7	37	617	390	475	360	103	9
R.Y.A.-YARDMSTRS	961	91.8	47.0	24.1	8	174	196	283	257	42	1
A.T.D.A.-TR DISP	553	66.7	46.0	23.3	9	117	111	168	125	23	
VARIOUS MARINE	70	64.2	41.8	10.8	4	21	21	10	6	7	1
OTHER ORGANZTNS	75	64.1	47.2	17.4	2	18	10	17	21	7	
GROUP TOTAL	61,825	72.9	43.8	19.2	1,828	18,167	11,817	13,790	11,321	4,564	338
NON-AGREEMENT	6,009	69.1	43.5	18.9	179	1,678	1,317	1,395	1,113	309	18
GROUP TOTAL	6,009	69.1	43.5	18.9	179	1,678	1,317	1,395	1,113	309	18
FINAL TOTALS	67,834	72.6	43.8	19.1	2,007	19,845	13,134	15,185	12,434	4,873	356

Furloughed as of March 13, 1992

	TRAINMEN	FIREMEN	CLERKS	TELEGRAPHERS	NEW EMPLOYEES	SIGNALMEN	CARMEN	ELECTRICIANS	MACHINISTS	SHEET METAL WORKERS	BOILER & BLACKSMITHS	FIREMEN & OILERS	FOREMEN	TRAIN DISPATCHERS	YARDMASTERS	POLICE	MARINE	BARTENDERS	TOTAL	GRAND TOTAL
New England																				
Protected	—	—	3	1	12	—	3	—	—	—	—	—	—	—	—	—	—	—	19	337
Non-protected	73	22	22	5	163	5	9	5	7	2	—	4	—	—	—	1	—	—	318	
Mohawk Hudson																				
Protected	—	—	3	5	12	—	7	8	10	11	2	3	1	—	—	—	—	—	62	595
Non-protected	222	9	39	—	152	3	15	14	44	4	13	14	4	—	—	—	—	—	533	
Buffalo																				
Protected	89	21	8	1	20	—	19	—	2	1	—	—	—	—	—	—	—	—	161	497
Non-protected	31	1	104	6	145	14	25	1	2	1	—	3	1	—	—	3	—	—	336	
New Jersey																				
Protected	—	—	—	—	—	—	—	—	2	1	1	—	—	—	—	—	15	2	21	318
Non-protected	—	41	24	—	192	—	34	—	—	—	—	6	—	—	—	—	—	—	297	
Hoboken																				
Protected	—	—	—	—	—	—	—	—	3	—	—	—	—	—	—	—	11	6	20	183
Non-protected	—	36	17	3	51	—	49	—	4	—	—	3	—	—	—	—	—	—	163	
Lehigh																				
Protected	154	37	16	6	22	1	2	5	3	1	—	—	—	—	—	—	—	—	247	804
Non-protected	78	3	20	6	410	20	4	12	—	—	1	—	—	—	2	1	—	—	557	
Phila.																				
Protected	—	—	—	3	15	—	40	14	7	1	2	2	—	—	—	—	13	2	99	606
Non-protected	—	170	54	3	121	10	117	11	1	6	3	11	—	—	—	—	—	—	507	
Harrisburg																				
Protected	—	—	16	—	3	—	7	—	4	—	1	—	—	—	—	—	—	—	31	408
Non-protected	—	47	25	—	181	18	74	15	1	—	5	11	—	—	—	—	—	—	377	
Pittsburgh																				
Protected	335	—	10	4	15	—	—	1	—	—	—	—	—	—	—	—	—	—	365	1,445
Non-protected	260	140	53	4	407	136	84	13	10	1	—	2	—	—	—	—	—	—	1,080	
Allegheny																				
Protected	—	—	2*	—	39	6	2	—	1	—	—	5	—	—	—	—	—	—	55	598
Non-protected	—	34	34	16	413	27	10	5	1	—	—	2	1	—	—	—	—	—	543	
Youngstown																				
Protected	273	100	118	6	270	—	146	12	35	1	1	7	16	—	—	—	—	—	985	1,646
Non-Protected	—	—	97	28	365	56	81	6	18	1	—	7	1	—	—	1	—	—	661	
Cleveland																				
Protected	53	5	18	—	5	—	11	5	3	5	2	—	—	—	—	—	—	—	107	1,447
Non-protected	241	51	121	—	377	24	128	81	153	46	49	66	1	—	2	—	—	—	1,340	
Toledo																				
Protected	—	21	—	—	1	—	—	—	—	—	—	—	—	—	—	—	—	—	22	650
Non-protected	196	9	44	7	239	30	8	14	36	7	4	19	14	—	1	—	—	—	628	
Ft. Wayne																				
Protected																				
Non-protected																				
Chicago																				
Protected	60	27	17	1	50	—	6	—	2	—	—	—	1	—	1	—	—	—	165	1,064
Non-protected	258	84	109	23	317	8	80	1	4	—	—	6	6	—	3	—	—	—	899	
Detroit																				
Protected	27	5	—	—	1	—	—	—	—	2	2	1	—	—	—	—	—	—	38	534
Non-protected	168	8	64	2	214	13	—	2	8	1	—	7	1	—	8	—	—	—	496	
Canada																				
Protected	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	76
Non-protected	20	4	13	3	10	4	13	1	4	—	—	—	—	—	—	4	—	—	76	
Michigan																				
Protected	—	—	—	—	—	—	—	—	—	—	—	—	1	—	—	—	9	—	10	643
Non-protected	57	43	20	8	254	22	19	3	1	—	—	3	2	—	1	—	—	—	433	
Southwest																				
Protected	146	32	8	17	43	—	12	11	12	5	—	3	4	—	—	—	—	—	293	1,346
Non-protected	136	12	84	10	528	45	141	16	27	14	4	18	16	—	1	1	—	—	1,053	
Columbus																				
Protected	277	151	1	33	54	—	33	13	11	2	1	4	2	—	1	—	—	—	582	1,530
Non-protected	122	29	151	34	434	30	81	20	30	9	1	25	19	—	4	—	—	—	1,005	
Metro																				
Protected	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0
Non-protected	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Alt. Shops																				
Protected	—	—	—	—	—	—	1	1	6	—	1	—	—	—	—	—	—	—	9	1,345
Non-protected	—	—	95	—	—	—	593	109	303	80	38	96	22	—	—	—	—	—	1,336	
SGO – Phila.																				
Protected	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	58
Non-protected	—	—	58	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	58	
S.G.O. – Detroit																				
Protected	—	—	41	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	41	41
Non-protected	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0	
Former Ann Arbor																				
Protected	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	10	—	10	10
Non-protected	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0	
Total																				
Protected	1,414	399	261	77	562	7	289	70	101	30	13	25	25	—	2	—	58	10	3,343	16,029
Non-protected	1,871	743	1,248	158	4,973	435	1,565	329	654	172	121	306	68	—	22	11	—	—	12,698	

*Traveling Representative

Senator Andrews: Conrail has also been making use of contract rates, which are supposed to stabilize traffic levels for certain commodities and improve Conrail's profitability. What commodities does Conrail currently have contract rates for and what sort of arrangements for services would a contract normally contain?

Mr. Crane: As of April 1, 1982, Conrail had a total of fifty-three (53) contracts on file with the ICC or state regulatory commissions. There were also seven (7) contracts filed by other carriers which include Conrail as a party. Thus, a total of sixty (60) contracts involving Conrail were on file with either the ICC or various state commissions as of that date.

These contracts cover a broad range of commodities. Among these commodities are iron and steel products, coal, iron ore, fluxing stone, grain and grain products, canned foods, railway equipment, automobiles and automobile parts, scrap iron, industrial sand, petroleum, and chemicals.

While every contract does not contain "arrangements for service" many Conrail contracts do contain such provisions. Certain contracts provide for an additional charge above regular tariff rates, in return for a guaranteed car supply. Other contracts have provisions for a penalty payment to the customer if service does not meet a mutually agreed upon standard. In other cases, there is an additional charge, above regular tariff rates, to maintain rail service to certain customers. There are also contracts which provide customers with incentives to use certain routes in shipping their commodities.

Other provisions that are utilized or are currently under discussion include up front payments for use of railroad equipment at reduced per ton tariff amounts, up front payment for scheduled berthing of vessels, penalty payments related to inventory destocking, incentive payments by shippers for deliveries faster than a base schedule, and penalties against the railroad for failure to achieve target annual utilization levels of shipper equipment.

Each of these service commitments is couched in relevent terms designed to protect both parties from events that cannot be predicted or controlled by them.

Senator Andrews: Section 305(f) of the Rail Act Required the Secretary of Transportation to present to the Special Court by December 11, 1981, a proposal to transfer selected Conrail lines in Connecticut, Rhode Island, and Massachusetts to railroads interested in acquiring the properties. Mr. Blanchette mentioned a transfer plan which provides for the continuation of freight service on the transferred lines.
Can you detail the status of this proposed transaction?

Mr. Crane: The Administrator has petitioned the Special Court for an Order which will transfer Conrail's Rhode Island rail properties to P&W and certain Conrail properties and operations in Connecticut to B&M and P&W. Conrail has stipulated that it will not object to the entry of this Order. If the Court approves, the transfers to P&W will take place May 1, 1982, and to B&M, June 1, 1982. Section 305(f) of the Rail Act requires that all Connecticut and Rhode Island lines, whether transferred or retained by Conrail, be served for four years from the date of transfer.

Sen. Andrews: Conrail was recently cited as being among the Nation's safest freight railroads, having 15 accidents per million train miles. However, other railroads have damage-rate records as low as 2.1 accidents per million train miles, and the average for Class I freight trains is 13, which is two below Conrail's record. What steps is Conrail taking to improve its safety record?

Mr. Crane: According to Conrail records and FRA statistics, any figures that indicate that Conrail has a train accident rate of 15 per million train miles is in error. FRA published statistics for 1980 reflect Conrail's train accident rate per million train miles was 13.1. The 1981 figures, which were furnished by phone, from the FRA indicate Conrail's rate last year at 9.55, or a 27.1% improvement over the 1980 rate.

Conrail has experienced a reduction of 34.2% in the number of train accidents between 1980 and 1981 going from 966 to 636. This improvement is composed of a 25.0% reduction in train accidents attributed to human factors, a 34.1% reduction in accidents resulting from equipment failure, a 41.8% reduction in accidents caused by track failure, and a 29.1% reduction in accidents attributed to "other" causes, i.e., ice, snow, washouts, highway grade crossing accidents, etc.

Numerous capital improvement projects and ongoing maintenance and safety programs have and will continue to contribute to the reduction of train accidents.

The 41.8% reduction in trian accidents attributed to track failure is the result of the following expenditures and programs:

YEAR	DOLLARS (IN MILLIONS)	MILLION TIES INSTALLED	MILES OF RAIL LAYED	MILES OF TRACK SURFACED
1980	220.0	1.63	476	8,970
1981	210.0	1.60	320	7,408
1982 (Projected)	223.0	1.60	391	8,000

The 34.1% reduction in train accidents caused by equipment failure is the result of a more effective car maintenance program and, in part, the upgrading of the national fleet. It is also the result of early warning detection of car problems preventing the accident before it occurs. Early warning detection is accomplished primarily through the use of hot box detectors which scan passing trains for overheated journal bearings and dragging equipment detectors which sense objects hanging from cars that can cause derailments.

Currently, Conrail has 287 hot box detectors and 705 dragging equipment detectors functioning on its 5,100 mile core route network.

The 25.0% reduction in train accidents which were the consequence of human factors is the result of our increased emphasis on safety training, particularly the monitoring of Train and Engine Service employees in compliance with operating/safety rules.

Additionally, this escalation in safety awareness training was, in a large part, responsible for our 29.1% improvement in train accidents resulting from "other" causes. We feel that our training efforts have definitely produced a more alert, safety-sensitized employee, who is reacting to prevent accidents before they occur.

In the area of public safety, Conrail has been active in the National Safety Council's Operation Lifesaver program in the States of Illinois, Indiana and Ohio. This program is designed to reduce the incidence of rail/highway grade crossing accidents through educational, engineering and enforcement programs. In the future, we look forward to expanding participation in this program across our system.

In summary, Conrail will continue to improve its overall safety performance through innovations in operational procedures, maintenance and training programs, and ensuring a constant high level of safety awareness on the part of all employees.

Senator Andrews: A recent GAO report found that Conrail's inventory system doesn't provide accurate and reliable information, that records are inaccurate, and that Conrail's once a year inventory count is the only reliable method for keeping track of where items are actually located. The Railway Association agreed with the GAO Report. What effort is Conrail making to improve its inventory system and adopt the GAO recommendations?

Mr. Crane:

While Conrail took exception to GAO's concept of adding inventory shortages and overages, it acknowledged other weaknesses and has taken the following actions to correct them:

The bulk of the material located in over 200 local maintenance of way stores has now been combined into 20 divisional stores, which has produced improved physical control, lower operating costs and reduced inventory investment.

Improved fencing and lighting contributes to inventory protection and accessability.

Formal confirmation of interstore transfers is being tested for cost effectiveness.

Differences of $2,000 between physical count and store status records are investigated to correct inventory balances and to test and improve adherance to updated procedures.

The Company's open purchase order file has been purged of over-aged commitments and future purging cycles have been established.

An aggressive training program has been instituted to mitigate the influence of heavy bumping, which arises from Conrail's continued reduction of personnel.

SENATOR CHILES' QUESTIONS

Sen. Chiles: "What does Conrail view as the approximate price range for sale of Corrail."

Mr. Crane: An estimated price range for sale of Conrail could theoretically be derived from several methodologies, such as: 1) book value of assets, 2) market value of assets, or 3) market value as a going concern.

An evaluation of either book value or market value of assets, while conceptually and practically the easiest to perform, may yield a total value which is quite different from the amount a buyer would be willing to pay for the railroad as a going concern. This is particularly likely to be the case for a company whose future is uncertain and which is part of an industry that has been experiencing relatively low rates of return on investment. Of course, individual asset values, however determined, can enhance market value of the company as a whole to the extent that a buyer perceives its effect as limiting the downside risk of his investment.

The most reasonable basis for determining Conrail's market value is a buyer's assessment of expected net earning power. Many factors would weigh in this determination. Certainly, long-term traffic potential and the changing competitive environment in the aftermath of rail and truck deregulation will count heavily. On the cost side, Conrail's ability to maintain its improving productivity trend will also be important. The traffic and productivity issues will be

evaluated in depth in the course of preparing Conrail's long range forecast for the U.S. Railway Association later this year.

From a projection of future earnings, estimating a theoretical market value can become a simple methodological process. Applying an appropriate required rate of return to the earnings stream to calculate a discounted net present value can produce a reasonable proxy for the market value of a going concern. However, even this simple equation contains variables that may differ widely among buyers. The buyer's applicable income tax rate, required rate of return, and ability to take advantage of Conrail's tax loss carryforward will all affect the proportion of the earnings stream that gets to the bottom line as well as the amount the buyer is willing to pay for these earnings.

Further affecting the earnings stream is the impact that a purchasing railroad could have on Conrail's existing traffic base and cost structure. To the extent that a merged railroad could gain traffic because of more competitive single-line service, and could reduce the cost structure through consolidation of facilities and functions, the value of Conrail will be enhanced. The capacity to do this may differ significantly among potential railroad buyers and may not exist at all for a non-railroad buyer.

All of the factors described above will directly affect the economic value of Conrail and a buyer's perception of that value. But even this analysis is not complete. Congress has demonstrated its concern over the importance of Conrail to the rail system and its impact on the economy through the infusion of $3.3 billion since 1976. Clearly, any sale of Conrail will have to support public policy considerations and the intent of government to preserve competitive rail service in the Northeast and Midwest while at the same time permanently transferring that service to the private sector. Positions that the government may take on issues such as capital structure, terms of payment, employment protection, and long term obligations to maintain service could have a sizable impact on the eventual sale price of Conrail.

In conclusion, while the mechanics of estimating market value of a firm can be relatively simple, they are best applied in specific situations where the buyer is identified and the projected earnings and terms of sale are better known. In the case of Conrail, the categories of potential buyers are diverse and economic conditions at some future point of sale are difficult to predict with the result that an estimated price range for sale of Conrail, at this time, that reflected all the reasonably likely outcomes would be so broad as to offer no real meaning. As events progress and as specific buyers become known such a market value determination can be more reasonably made.

Sen. Chiles: "Do you believe a give away of Conrail's assets for a nominal price would be fair to U.S. taxpayers and the government interests involved?"

Mr. Crane: A judgment as to what is fair to U.S. taxpayers and the government interests will ultimately have to be made within the legislative and executive processes of government. Certainly the government, as principal owner of Conrail's common stock, has the right and obligation to seek the highest price it can in a sale. However, it will undoubtedly weigh this goal against other public policy goals such as preserving competitive rail service in the region ensuring that transfer to the private sector will be permanent and not require further federal involvement.

Government decisions designed to achieve these goals and at the same time minimize the chance of the problem

ever recurring could, have a sizable impact on the eventual sale price of Conrail. If the primacy of public policy considerations were to dictate a price for Conrail lower than what might be determined in the absence of such goals, then the difference would have to be explainable in those terms.

Sen. Chiles: What is the current value of Conrail assets?

Mr. Crane: The value of Conrail assets to a prospective purchaser could be predicated upon many determinants, including an assessment of the viability of the railroad operations, the value of the tax carry-forwards, or other tax benefits to the purchaser, as well as underlying value of the properties being acquired.

The reported value (book value) of Conrail's balance sheet of February 28, 1982, is as follows and includes property values resulting from the settlement of the valuation case between the US Government and the predecessor companies.

		(In Thousands)
Book Assets		
Current Assets		$1,265
Investments in Affiliated Companies		99
Property & Equipment, Net		4,120
Other Assets		90
Total Assets		$5,574
Book Liabilities		
Current Liabilities		1,114
Long-Term Debt:		
Debentures	$915	
Equipment Debt & Capital Leases	919	1,834
Casualty Reserves & Other Liabilities		196
Preferred Stock--Series A		2,303
Preferred Stock--Series B		31
Common Stock		29
Paid-In Capital		1,645
Deficit		(1,571)
ESOP Stock		(7)
Total Liabilities		$5,574

Sen. Chiles: What are the current profitability projections for Conrail?

Mr. Crane: Conrail's budget (determined in December, 1981) provides for a GAAP profit of $218 million for the year 1982. However, based on the current business outlook, a somewhat lesser profit for the year is now possible. Carloadings in the first quarter 1982 are 22% below 1981, but with some degree of seasonal improvement, the overall traffic for the year is now projected to be about 10% worse than in 1981. Cost reductions, however, are being managed to largely offset the effect of these declines.

Sen. Chiles: What are the current Conrail cash reserves and what are they for 1982?

Mr. Crane: Currently, Conrail's cash balance approximates $420 million. Based on the activities projected for the balance of 1982, we anticipate the cash balance at the end of 1982 to be about $400 million.

Sen. Chiles: Will Conrail require USRA to purchase additional Conrail securities to assist with operating expenses?

Mr. Crane: No additional borrowings from USRA are anticipated, however the currently appropriated $85 million should remain available to Conrail as a line of credit in the event of unforeseen circumstances.

Sen. Chiles: The Committee understands that approximately 330 applications have been made by Conrail and to the ICC to abandon approximately 1,600 miles of unfrofitable branch lines. What is the status of Conrail efforts to abandon branch lines? Will Conrail apply for additional branch line abandonments?

Mr. Crane: As of April 15, 1982, 277 abandonment applications have been approved in whole or in part. These segments represent approximately 1,642 route miles. The approval on the remaining applications has been postponed by the ICC for statutory time period allowed for negotiations on subsidies (53 miles) or purchase (460 miles). Sales have been completed on 23 lines (411 miles) and subsidies negotiated on 4 (47 miles).

Conrail expects to file additional line segments for abandonment prior to November 1983.

Status As Of 4/15/82

Lines approved by Conrail Operating Committee for December, 1981 Window.

No. Lines		Route Miles
360	Filed with ICC	2616.0
2	Filed with Michigan DOT	2.9
7	Not Filed but approved for abandonment (Legal)	14.8
Total 369	Approved for Abandonment by Operating Committee	2634.3
277	Approved by ICC (in whole or in part)	1642.3
23	Lines Sold	411.6
4	Lines Subsidized	47.0
57	Postponed for Purchase	460.0
15	Postponed for Subsidy	53.0

Sen. Chiles: Last year the Congress appropriated $100 million to Conrail for its work force reduction program. This program pays up to $25,000 in severance payments per employee based on a formula relating to length of service. This program was focused primarily on fireman and brakemen excess to the operational needs of Conrail.

How many employees have been separated from Conrail with this program? How many additional employees will be separated? How much of the $100 million appropriated last year remains available?

Mr. Crane: Fifteen million dollars was authorized by the Staggers Rail Act of 1980, and appropriated by the Fiscal Year 1981 Supplemental Appropriation Act, for use by Conrail in its implementation of a workforce reduction program. The Northeast Rail Service Act transferred those funds for use under Section 1143 of NERSA. In December, 1981, the $15 million was expended for the payment of termination allowances to 300 train service employees and 300 engine service employees.

An additional $115 million in program funding has been authorized by the Regional Rail Reorganization Act of 1973, as amended, of which $100 million was appropriated by the Department of Transportation and Related Agencies Appropriations Act for 1982. In February, 1982, Conrail terminated 942 train service employees and 717 engine service employees.

To date, a total of 2259 employees have been terminated pursuant to the workforce reduction program. An equal number of positions is eligible to operate with reduced crews as indicated below:

1242 - Train Service
976 - Freight Engine Service
41 - Commuter Engine Service

2259 - Total

Of the $100 million appropriation referred to above, $41 million has been expended, and $59 million remains available.

Given current levels of business, Conrail intends ultimately to terminate a total of approximately 2400 trainmen, approximately 1300 freight enginemen, and approximately 80 commuter enginemen, and eliminate a corresponding number of positions. If business levels improve, Conrail will seek to terminate additional employees.

SUBCOMMITTEE RECESS

Senator ANDREWS. The subcommittee stands adjourned.

[Whereupon, at 11:05 a.m., Thursday, April 1, the subcommittee was recessed, to reconvene subject to the call of the Chair.]

DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1983

WEDNESDAY, APRIL 21, 1982

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 10:05 a.m. in room 1318, Everett McKinley Dirksen Senate Office Building, Hon. Mark Andrews (chairman) presiding.

Present: Senators Andrews, Abdnor, and Chiles.

DEPARTMENT OF TRANSPORTATION

FEDERAL RAILROAD ADMINISTRATION

STATEMENT OF ROBERT W. BLANCHETTE, ADMINISTRATOR

ACCOMPANIED BY:

S. MARK LINDSEY, ASSISTANT CHIEF COUNSEL
LOUIS S. THOMPSON, ASSOCIATE ADMINISTRATOR FOR INTERCITY PROGRAMS
ALDEN C. JOHANSON, DIRECTOR OF PLANNING AND BUDGET DEVELOPMENT
WILLIAM R. BALLERINI, BUDGET OFFICER

NATIONAL RAILROAD PASSENGER CORPORATION

STATEMENT OF ALAN S. BOYD, PRESIDENT AND CHAIRMAN

ACCOMPANIED BY C. W. HAYWARD, ASSISTANT VICE PRESIDENT, FINANCE

SUBCOMMITTEE PROCEDURE

Senator ANDREWS. This morning we will hear from the Federal Railroad Administration, and the National Railroad Passenger Corporation.

Mr. Boyd or Mr. Blanchette, do either one of you have a statement? If you do, I will be glad to hear it, or you may summarize it. You can be sure that it will appear in full in the record. When you have finished with your statement, we will go on to the questions.

Mr. BLANCHETTE. Thank you very much, Mr. Chairman. We do have a prepared statement.

Senator ANDREWS. I was sure you would.

Mr. BLANCHETTE. Anticipating what you just said, I will ask that my statement be lodged in the record of the hearing.

Senator ANDREWS. It will appear in the record as though you said every word with great emphasis.

Mr. BLANCHETTE. I will summarize it only by saying that the Miles City line resumed operation on April 20th at 12:01. So the coal shipments from North Dakota can now reach their intended destination.

Senator ANDREWS. Let me say before the Lord and everyone that you did well. The electric consumers thank you because their costs would have been 2 or 3 cents a kilowatt-hour higher if you had not had the wisdom to work that problem out.

Mr. BLANCHETTE. Thank you, Mr. Chairman, that completes my summary.

Senator ANDREWS. Mr. Boyd, you have been given an example of accuracy and conciseness, I am sure you will want to follow.

Mr. BOYD. Is it all right if I try brevity?

Senator ANDREWS. Another excellent word.

Mr. BOYD. I am delighted to be here, Mr. Chairman, in tandem with Mr. Blanchette. I am both surprised and pleased that for the first time in my memory, the administration, the Congress, and Amtrak appear to be in agreement that the basic rail passenger system for the Nation should be maintained.

Having achieved that exalted state, I think the balance of my statement can be submitted to the record with a great deal of hope in the future of Amtrak.

Senator ANDREWS. Thank you, Mr. Boyd and Mr. Blanchette. Your statements will be inserted in the record at this point.

[The statements follow:]

STATEMENT OF ROBERT W. BLANCHETTE

Mr. Chairman and members of the Subcommittee, I am pleased to appear before you today to present the Federal Railroad Administration's budget request for Fiscal Year 1983.

I should like to depict the context in which we go into these hearings, so that the Subcommittee can have the sense of our priorities for FY 1982. In large measure, our budget proposals reflect a continuation of the work which was done in 1981 and which is being done in 1982.

SAFETY

FRA's safety budget especially reflects a new sense of priority and direction.

The industry's safety record for 1981 showed an improvement over the previous year and we intend to do all we can to help continue this trend. Preliminary estimates indicate that the total number of reported railroad accidents decreased by 24 percent; injuries by 10 percent; fatalities by 15 percent; passenger train accidents decreased by 25 percent; injuries and fatalities in passenger train accidents decreased by 25 percent and 91 percent respectively; and hazardous materials releases decreased by about 35 percent. I believe the safety efforts by the railroads and by FRA are paying off.

FRA's effectiveness is dependent on cooperation with railroad labor and management. This past year we made a significant breakthrough in modernizing safety regulation. For the first time, railroad labor and management, at FRA's

15-453 O - 83 - 8

request, developed a joint proposal for new rules governing track and power brakes, and for a statutory amendment regarding the movement of defective cars.

CONRAIL

As I mentioned in your hearing of April 1, 1982 we are moving to implement divestiture of the Government's stake in Conrail. Conrail's dependency on Federal subsidies has been stopped, and I am confident that we can achieve our goal of transferring Conrail to the private sector.

Two basic tools for assisting the freight railroads are now in place: the Staggers Act provisions and the Northeast Rail Service Act of 1981.

The Staggers Act provisions struck a careful balance between the railroads' need to earn an adequate return and the shippers' interest in seeing that rates do not rise unduly. The Staggers Act explicitly permitted contracts for the first time and since passage of the Act, railroads and shippers have negotiated over 1,000 rate and service contracts. Rate increases implemented by the railroads generally have been within the parameters allowed by the Act without protest or suspension and without protracted regulatory proceedings.

The Northeast Rail Service Act of 1981 (NERSA) provided direction for transferring Conrail to the private sector. It included several tools which, combined with the freedoms of the Staggers Act, are aiding Conrail in improving its financial condition and resulting in brighter prospects for sale as a single entity. These include:

- o authority to abandon lines under a two-phase, expedited procedure.

- o authority to transfer all of Conrail lines in Connecticut and Rhode Island, and five Conrail lines in Massachusetts, to self-sustaining railroads.

- o a mandate to transfer rail commuter service responsibilities from Conrail.

- o repeal of Title V of the 3R Act, effective September 1, 1981, providing for the close-out of that program.

- o new provisions for employees who lose their jobs as a result of expedited abandonments, internal consolidations of facilities, and other measures that are necessary to make Conrail self-sustaining.

- o A workforce reduction program, allowing Conrail to compensate employees as unnecessary positions are abolished.

Substantial progress has been made in implementing each of these provisions.

Conrail achieved a profit of $39 million in 1981 and projects this to rise to over $200 million in 1982 under Generally Accepted Accounting Principles. Conrail started calendar year 1982 witn $370 million cash on hand, and expects to end the year with nearly that much. As Conrail continues its cost reduction program, and in conjunction with productivity gains, it expects to achieve an operating ratio of about 93 percent in 1982, compared with 98.4 in 1981. As a result, Conrail does not expect to draw down Federal funds for operating or capital purposes in 1982 or thereafter.

FEDERAL ASSISTANCE

We have structured a variety of projects for assisting the railroad industry with available Section 505 funds during the remainder of this fiscal year. These projects, and the review of the entire program referenced in our Title V reports submitted to Congress, form the backdrop for our 1983 request.

During 1981, FRA continued to provide assistance to the freight railroads for track and equipment rehabilitation under Title V of the 4R Act. We executed Redeemable Preference Share agreements totalling $16.3 million for track rehabilitation, track acquisition, and directed service. Also, $36.4 million in loan guarantees was obligated for labor protection payments, car and locomotive repairs, and track rehabilitation. Since its enactment, the Title V program has financed rehabilitation of about 2,900 miles of track, 148 locomotives and 11,163 freight cars.

In FY 1982, $128.9 million of Redeemable Preference Share funding is available to finance projects within the direction provided by Congress:

(Millions of Dollars)

Rock Island Lines	$ 38.0
Miles City Line (Milwaukee Railroad)	30.0
East St. Louis	20.0
Grain Route (Minneapolis/Kansas City)	15.0
OKT (Oklahoma/Kansas/Texas)	11.0
Milwaukee Main Line	6.0
SSW/ICG Kansas City Yard	5.0
Feeder Lines	3.0
Uncommitted	0.9
Total	$128.9

We made a commitment to assist in rehabilitating the Milwaukee Road's Miles City line, because the service it provides is essential. That line, which the Milwaukee's

reorganization process cannot continue to support, is essential to the movement of grain from South Dakota, and is the only way coal can reach a major rural power plant, which provides electricity to over 600,000 customers in four states.

No additional funds are requested in FY 1983 for the Redeemable Preference Share or Obligation Guarantee programs. While these programs provided necessary transitional funding to help marginal or bankrupt railroads through a crucial period of adjustment in the railroad industry, this need now appears to be ending.

NORTHEAST CORRIDOR IMPROVEMENT PROJECT

During the last year, we continued to make major progress toward completion of a safe and reliable Northeast Corridor. By the end of this year, we will have obligated $1.98 billion out of the $2.19 billion proposed funding level.

In 1981, we placed 205,000 concrete ties on 80 miles of track with the track laying machine; installed 43 miles of continuous welded rail; performed 64 miles of undercutting, 1,617 joint elimination welds, and 136 miles of rail grinding; and completed 136 miles of high speed surfacing, 22 wayside turnouts and 69 percent of the planned interlockings. In addition, we rehabilitated 13 bridges; constructed a maintenance-of-way base at Odenton, Md. and eliminated 4 grade crossings.

Projects in FY 1982 include: continued track work; 10 section improvement contracts; renewal of stations at New Carrollton, Baltimore, Wilmington, Trenton, Newark, New York Penn Station and New London, and new construction in New

Haven, Stamford and Boston South Stations; two equipment service facilities and three maintenance-of-way bases; major renewal of the B&P Tunnel in Baltimore and track work in the East River Tunnel in New York City; major rehabilitation of four bridges by construction contractors and repairs to 28 more; and renewal of the existing electrification and signaling systems.

AMTRAK

Last year, this Administration and the Congress agreed that Amtrak should operate on a more businesslike basis. Congress appropriated $735 million for Amtrak in FY 1982, down from $896 million in FY 1981. Without that reduction, the Amtrak appropriation for FY 1982 would have approached $1 billion. This was simply an excessive amount of taxpayers' money. Under this new mandate and with the cooperation of Mr. Alan Boyd, Amtrak has reduced expenses and taken steps to increase its revenue base in order to live within its FY 1982 budget.

FY 1983 BUDGET REQUEST

At this point I should like to present a synopsis of our FY 1983 budget request for each major category of appropriation. FRA's total FY 1983 budget request is $831,575,000, excluding extraordinary items such as litigation settlements. This is $279,583,000 less than the FY 1982 figure of $1,111,158,000 for comparable items, a reduction of 25 percent. Our request for permanent positions is 753, which is 630 positions less than FY 1982. Of this reduction, 585 positions are attributable to the proposed transfer of the Alaska Railroad to the State of Alaska.

OFFICE OF THE ADMINISTRATOR

In FY 1983, we are requesting $15,600,000 and 203 permanent positions for the Office of the Administrator. The number of permanent positions is reduced by 7, after adjusting for the transfer of the Office of Policy, which was previously financed in the Railroad Research and Development appropriation. Excluding adjustments for mandatory wage increases and rate increases for support costs furnished by other Federal agencies, this request represents no net change from the comparable budget authority for FY 1982.

The transfer of the Policy Office is long overdue. In previous years the Policy Office was involved in demonstration projects and other technological R&D activities. However, the purpose of the Office of Policy is to support the Administrator in the development of sound approaches to the issues facing FRA.

In the past, policy development has been the weakest function performed by FRA. This weakness was most evident during the bankruptcies in the Northeast during the 1970's. The consequence of ineffective or nonexistent policy was expensive, the Federal Treasury being forced to fill the policy void with public dollars.

Effective policies developed in advance of the problem, in many instances, can prevent the problem completely, or at least modify the nature of the problem so that it can be resolved by the private sector rather than by the Congress. The focus during FY 1982, and continuing in FY 1983, is on providing the type of policy support needed to help prevent similar problems from occurring in the future,

or in lessening the impact of such problems. It is important that this function be closely aligned with the Administrator's office for this reason.

RAILROAD SAFETY

For FY 1983, we are requesting $29,300,000 and 445 permanent positions, an increase of $5,124,000 and 24 permanent positions from our 1982 level.

This includes an increase of $2,056,000 for our field inspection efforts. The increase will provide $1,500,000 for the full-year cost of 24 new safety positions that we are requesting, and $556,000 for rising costs in the support services area. In addition, the Conferees, in the FY 1982 Appropriations Act, directed FRA to provide at least 15 travel days per month per inspector. We have reprogrammed $1,500,000 of carryover funds to provide for this travel increase in FY 1982. I am also requesting a continuation of this funding level in our FY 1983 budget.

FRA is proposing to eliminate Federal funding of Grants-in-Aid for the state railroad safety program in FY 1983. I want to emphasize that this proposal is totally unrelated to our request for additional Federal inspectors, and that FRA does not propose to restrict or remove the safety authority of the state inspectors. To the contrary, FRA is currently revising the implementing regulations for this program to expand the jurisdiction of the state inspectors. FRA continues to support the concept of a Federal-state safety enforcement partnership, and anticipates that a number of states will want to continue their individual programs using state funds.

Our railroad research program, to be addressed next, has been re-oriented to focus principally on safety issues. As a result, the R&D program of $20 million should be viewed as part of the overall safety effort.

RAILROAD RESEARCH AND DEVELOPMENT

In FY 1983, we are requesting $20 million and 30 permanent positions for Research and Development. Specific projects to be addressed in FY 1983 are: $3,500,000 for Equipment Safety, including research to reduce the severity and frequency of hazardous materials releases and to improve emergency response and wreck clearance procedures; $4,000,000 for Track Safety, to reduce track-caused accidents by improving safety standards for track components and geometry; $2,000,000 for Dynamic Analysis, to address and improve the safety performance of existing and proposed freight cars; $1,500,000 for Inspection Technology Research, to support the FRA's Office of Safety and the railroad industry in applying early-warning flaw detection techniques to prevent track and equipment failures; $1,500,000 for Operating Practices, to assess and reduce risks associated with human factors; and $5,000,000 for Safety Testing of track systems and rolling stock under accelerated service conditions at the Pueblo Test Center.

We are requesting $2,500,000 for R&D administration, to provide salaries and related expenses for 30 positions in 1983. Our program results in a total reduction of 35 positions in R&D, of which 25 positions are saved in the proposed transfer of the Pueblo Test Center to the private sector. This transfer eliminates a $7 million item.

RAIL SERVICE ASSISTANCE

We are requesting $31,675,000 and 57 permanent positions for Rail Service Assistance. This represents a net decrease of 18 permanent positions from the FY 1982 level. On a comparable program level basis for FY 1982, adjusting for the Local Rail Service Assistance deferral of $35,000,000, there is a net decrease of $17,825,000.

For the first time in FY 1983, funds are requested by FRA for Washington Union Station operations and lease payments. The Department of Interior budgeted $3,825,000 in FY 1982, and we are recommending the same level in FY 1983. Steps are now underway to return the historic building to its primary role as a transportation terminal and to encourage commercial development in and around the station.

No funds are requested by FRA for the Minority Business Resource Center, which has been shifted to the Office of the Secretary appropriation consistent with an organizational change that took place in 1980.

Our $20,000,000 request for Local Rail Service Assistance will allow states to complete some branchline projects, prior to termination of Federal funding at the end of the fiscal year.

For Administration and Special Projects, we request $7,850,000 to finance 57 permanent positions to administer all of FRA's freight assistance programs, as well as the Rail Passenger Program staff. Included in this amount is contractual support funding of $3,100,000, necessary to provide data and outside expertise.

As I mentioned earlier, $129 million is currently available under the Redeemable Preference Share program. All but $900,000 of this has been earmarked by committee action, or by statute, to fund specific projects. Every effort will be made to follow through on these commitments, before the authorization of this program expires at the end of this fiscal year.

FRA is also requesting $20 million to continue payment of benefits to eligible Conrail employees affected by abandonments, facility consolidations, and the transfer of Conrail commuter services to new operators.

NORTHEAST CORRIDOR IMPROVEMENT PROJECT

We are requesting an appropriation of $115,000,000 and 18 permanent positions. This represents a decrease from $170,000,000 and 27 positions appropriated in FY 1982, reflecting completion of engineering management responsibilities, and close-out of design contracts. Our focus will be on rehabilitating rail tunnels connecting New Jersey with New York City, continuing the track improvement program, building new service facilities, installing signals, and renovating stations. New construction will be initiated in the Providence Station, New York North River Tunnel, and electrification rehabilitation and power supply conversion from the East River to New Rochelle in New York.

AMTRAK

Before proceeding with FRA's budget proposal for Amtrak, I wish to compliment Amtrak for meeting its budgetary challenge. Amtrak has:

o implemented a trimmed-down budget which preserved a

national system comparable to the system operated in FY 1981;

- o improved the Corporation's revenue to cost ratio from 43 percent in FY 1981 to a projected 50 percent in FY 1982 in accordance with the revised law; and,
- o placed in operation new or rehabilitated equipment over the entire Amtrak system; improved on-time performance systemwide to 77 percent; and achieved 97 percent on-time performance on the newly inaugurated express Metroliner service between New York City and Washington.

More can be done along these lines. In FY 1981, the Federal subsidy per passenger exceeded $42. With the FY 1982 level of $735 million, the subsidy will be reduced to about $38 per passenger. The Administration's proposal for FY 1983 would result in a further reduction to around $30 per passenger.

We have proposed a total FY 1983 appropriation of $600 million to cover operating expenses, capital acquisitions and improvements, and labor protection. By implementing a reasonable set of policy and operational changes, Amtrak can operate a national system within this budget.

I have personally discussed this proposal with Alan Boyd and other senior Amtrak executives, and I believe that Amtrak and the Department are in general agreement on the Amtrak operating budget. Obviously, there are areas of disagreement but these are small when compared to the issues on which we agree.

The 1983 budget assumes a revenue level of $690 million and a cost level of $1,340 million, resulting in an

initial cash shortfall of $650. We have identified a variety of actions which can bring this shortfall within the proposed $600 million figure. They include:

	(Millions)
- Full compensation for State and Commuter Trains (Sections 403(b) and (d) of Rail Passenger Service Act).	$35
- Discontinuance of trains not meeting Congressional criteria (or revenue improvement to qualify under criteria).	5
- Anticipated further productivity gains	15
- FY 1982 carryover	15
	$70

The result is an operating budget of $580 million and a spartan, but manageable, capital budget of $20 million.

A note should be made of the projected revenue level. Amtrak had originally projected $725 million in receipts, a figure which it later revised downward by $35 million. On the basis of recent ridership experience, we cannot question this revision under prudent budgeting procedures. However, we believe that improvements in Amtrak's operating performance, material enhancements in its equipment fleet and an upturn in the economy will prove this estimate to be too conservative. As a result, we consider that Amtrak will have funds to meet capital needs beyond the figure set out above.

To assist in meeting this budget goal, we shall propose legislation requiring that each State pay the full cost of 403(b) services and 403(d) commuter services operated by Amtrak. Passenger service provided at the request of a State, for the benefit of its residents, should be financed by the requesting State.

The budget does rely in major part on improved labor and management productivity. The trend has already begun. This year Amtrak has rationalized its headquarters operations, reduced the cost of food and beverage service, and improved the productivity of equipment maintenance. New equipment, representing an investment of approximately $100 million, has come on line in 1981 and 1982. Amtrak's FY 1983 spending proposal indicates that the Corporation will continue to lower its labor costs through reductions in food and beverage crews, control of overtime payments and attrition. Additional labor productivity savings are also projected. Reflecting these efforts, a $70 million saving has been included in the baseline expense projection.

Nonetheless, more can and must be done. Amtrak and its unions should be encouraged to reduce Amtrak's high annual labor costs. Major reductions can be made without impairing service. I know that it will not be easy to negotiate new agreements but the pattern has been set in other industries. I am confident that Amtrak and its unions can do the same.

The final element of our budget is a capital expenditure program set at $20 million, which is sufficient to cover Amtrak plans for safety, environmental and minor labor protection outlays. Low priority projects can be deferred or stretched out, as most of Amtrak's major capital requirements have now been met. Federal grants and loans have enabled Amtrak to complete the renewal of its revenue equipment. New revenue car acquisition programs can be deferred for several years without safety or financial consequences. Major service and maintenance facilities projects have been completed, and the upgrading of the

Northeast Corridor, which carries more than one-half of the system's passengers, is funded by a separate appropriation, recommended at $115,000,000.

ALASKA RAILROAD

No funds are requested for the Alaska Railroad in FY 1983, since legislation authorizing transfer of the railroad to the State of Alaska is expected to be enacted this year. This accounts for 585 of the 630 permanent positions to be reduced in FRA's FY 1983 budget.

SETTLEMENTS OF RAILROAD LITIGATION

In FY 1983, no funds are requested for settlements of railroad litigation, in contrast to a level of $803 million in FY 1982. This represents the largest single factor contributing to this year's total decrease in budget authority. I recognize that settlements may be concluded this year and a further supplemental request may be made.

Mr. Chairman, this completes my prepared statement. I will be happy to answer any questions the Subcommittee may have.

STATEMENT OF ALAN S. BOYD

FISCAL YEAR 1983 SENATE APPROPRIATIONS

Mr. Chairman, and Members of the Subcommittee, a detailed budget justification will be submitted with a copy of my testimony for the record.

It is a pleasure to be with you this morning to discuss Amtrak's fiscal year 1983 budget. This is the first time in my memory that the Administration, Congress, and Amtrak appear to be in agreement that the basic national rail passenger system should be maintained. Congress has made it abundantly clear in vote after vote that it wants a national rail passenger system. That system today is operating more efficiently and is producing higher revenues than at any time in the Corporation's eleven-year history.

By many measurements, the National Railroad Passenger Corporation emerged as the business surprise of 1981. As the sixth largest passenger carrier in the nation, Amtrak has been able to maintain a national system while cutting costs and improving its financial performance, and it has done so in an economic environment that continues to cause severe problems for other transportation modes.

The uncertainty surrounding the amount of federal support we may expect from year to year along with the clear mandate to improve productivity and reduce costs have encouraged Amtrak to explore ways to diversify our revenue base. As part of that on-going effort, I have established a Corporate Development Department to more fully utilize our resources and undertake initiatives designed to maximize revenues and minimize federal support--goals which were established by Congress in last year's authorization bill.

Mr. Chairman, it is important to note that a stable route system allows Amtrak to focus its resources on reducing costs while continually improving the performance and operation of its trains. While the level of capital funding provided to Amtrak has

fluctuated from year to year, Congress has provided the capital investment in the Corporation that directly produced the recent improvements in rail passenger service. Those investments are paying measurable dividends in terms of improved performance, increased revenues, and the overall efficiency of the system.

To be more specific:

--In the last fiscal year, Amtrak's system-wide on-time performance was 77 percent, the best in our history. This represents an 11.4 percent increase over the fiscal year 1980 level of 69.1 percent which can be attributed to the replacement and refurbishment of the Corporation's passenger car fleet as well as to improved relations with the twenty-one railroads over which Amtrak operates.

--Our revenues were up 16 percent last year, a result of improved service and increased fares. This revenue growth was about twice the annual increase posted by the nation's scheduled airlines.

--We have improved productivity in terms of passenger miles per train mile (PM/TM) on long-distance trains which has resulted in an increase from 175.6 PM/TM in 1980 to 195 PM/TM in 1981. System-wide, the average reached 155.1 PM/TM, despite the fact that this is an average of both long-distance (with a 150 PM/TM criterion) and short-distance routes (with an 80 PM/TM criterion).

--During the last three years, Amtrak increased the number of passenger miles generated per constant dollar of federal support by 24 percent.

--By the end of 1981, Amtrak had achieved the status of America's sixth largest intercity public transportation company, with a ridership of nearly 21 million passengers.

These performance improvements did not occur without cause--they are the direct result of the capital investment Congress has made in Amtrak.

Budget

The President's budget calls for the operation of a national

system and includes a $600 million grant for the Corporation in fiscal year 1983. It bases that budget proposal on some assumptions it has made on potential cost savings. Amtrak's request for the authorized $788 million includes a productivity savings similar to that assumed by the Department of Transportation. Both budget proposals start from the same base--assuming a system-wide cost of $1390 million. The Department's budget assumes a revenue estimate of $690 million, as does Amtrak's budget. While we do not dispute the Department of Transportation's assumed cost savings if federal funding for 403(b) trains, the "Sunset" commuter trains, or the Cardinal were eliminated, we have not included those assumed savings in our attached budget justification. Obtaining these savings would require changes in the law.

Let me briefly review the Administration's cost savings assumptions and make clear to the members of the subcommittee where we are in agreement, and where we diverge.

The Administration assumes a savings of $85 million in labor and management costs. Amtrak agrees that substantial productivity savings are possible. We are making an aggressive productivity improvement effort involving our employees at every level. And in our labor negotiations this year, we are insisting on far-reaching work rule reforms and wage settlements well below the levels already set in the national agreements. Through these efforts, we hope to reduce our expenses for fiscal year 1983 by $70 million from earlier projections.

The Administration budget assumes $25 million in savings by changing the law to require states to pay for 100 percent of the long-term avoidable costs for operating the existing 403(b) service. As you know, Congress just changed the law last fall to provide for a gradual transition toward a greater non-federal share in the funding for those trains. If Congress agrees with the Administration that another change is necessary, all states would have to continue to participate at 100 percent to achieve the suggested savings.

Frankly, Mr. Chairman, I believe that many states would

choose to see their trains discontinued if the law were changed, triggering labor protection payments that, in the end, would cancel some of the savings assumed in this policy change. The fact is that two-thirds of the affected state legislatures would not even be in session to consider increased state funding.

The Administration assumes a $5 million savings by discontinuing the Cardinal route. Such a savings would be possible. However, the Cardinal is being operated in compliance with Congressional direction that also required Amtrak to prepare a report on the performance of that train and the steps we are taking to increase its revenues and ridership since its reinstatement on January 8. A copy of this report was provided to the committee on March 26.

The Administration assumes a $10 million savings by requiring states or communities to pick up 100 percent of the cost of the so-called "Sunset" commuter trains, or by eliminating this service. Amtrak agrees that such a savings is possible if Congress changes the law.

Both Amtrak and the Administration recognize a need for a capital budget in fiscal year 1983. As this committee knows, the bulk of the funds available for capital in fiscal year 1982 went toward completion of multi-year equipment orders, leaving a gap in capital funding that, for all practical purposes, left Amtrak without a capital budget in 1982. I cannot tell this committee that Amtrak must have a capital budget to maintain a national system in fiscal year 1983. I can tell you, however, that without a capital budget again this year we will find ourselves in a downward spiral that can only be corrected by a massive infusion of capital dollars in the future. I do not believe that Congress would support a policy that requires Amtrak simply to defer capital projects in the hope that a future Congress would be more sympathetic.

The fluctuation in capital funding year to year makes it impossible to provide a stable environment for planning future projects or to achieve efficiencies through long-range planning. Each year when there is a budget request inadequate to cover both

operating costs for the national system and the necessary capital costs to run the system, capital projects go unfunded.

I am pleased that the President's budget this year recognizes the need for capital funds in 1983 that "will permit right-of-way improvements and continue a modest upgrading of rolling stock." Amtrak agrees--as you can see in our attached justification--both rolling stock and right-of-way improvements are two major elements of our 1983 capital plan. We believe we can also make a case for station stop and maintenance facility improvements. Part of our capital program calls for an expansion of our very successful joint station program. This would allow Amtrak to share with cities and states the costs of developing the areas in and around stations. We believe that joint station projects will improve rail passenger service, provide an immediate physical improvement to the community, stimulate private development, and create jobs. I am submitting a list of stations that we have identified as targets for improvements. I have already heard from several cities and states indicating their willingness to work with Amtrak to make this project a success for us and for these communities. My staff will continue to be available to work with the committee to provide any additional information on the capital budget.

Labor

The attached justification assumes labor/management cost savings and savings attributed to work rules changes for non-operating personnel.

Negotiations with the non-operating work force unions have focused principally on work rules changes. Amtrak has identified the changes we are seeking and has furnished the rationale for the changes.

A wage proposal was developed and submitted to the unions which was consistent with the Congressional mandate that Amtrak maintain a revenue/cost ratio of 50 percent by the end of fiscal year 1982. Alternate proposals are now being discussed. While it would be inappropriate at this time to discuss current proposals in detail, I can tell you that the package will include wage

increases substantially lower than those in recent industry-wide settlements, substantial work rules changes, and the formation of a joint labor/management council to determine ways to further improve productivity of the work force.

With respect to the operating work force, we have also proposed train and engine (T&E) service work rules changes dramatically different from traditional railroad operating craft agreements. The main points are an hourly rate of pay, increased assignment length, elimination of "arbitraries," and a basic crew of engineers and conductors with all other crew members determined by the requirements of the service. Amtrak is not required to negotiate directly with Conrail T&E employees, who are represented by the United Transportation Union (UTU) and the Brotherhood of Locomotive Engineers (BLE), and we are not certain that the T&E work force we hire will consist primarily of those employees. Copies of the proposed work rules were furnished to representatives of those unions, however, and they are conducting informal discussions on them.

The BLE and UTU meetings began in September and October, 1981, and are continuing. The initial meetings centered on what was required of Amtrak as a result of the passage of the Northeast Rail Service Act and the Amtrak Improvement Act of 1981. The representatives were told that Amtrak was determining in which areas direct employment of T&E crews was operationally and economically practical. The operating brotherhoods were also informed of our obligation to report to Congress on the problems associated with direct employment. We are investigating the costs and benefits of taking over employment of some T&E crews off the Northeast Corridor. We have recently submitted a report to Congress on the potential problems related to the direct employment by Amtrak of T&E crews. I would be happy to supply a copy of that report to the committee.

In addition to these actions and the reduction of the overall work force through attrition, Amtrak has also made savings in its management structure. The work force at Amtrak Headquarters was

reduced by 25 percent in fiscal year 1981 and, this year, management salaries have been frozen at existing levels pending further negotiations with the unions.

Debt and Interest

The Administration and Amtrak assume deferral of fiscal year 1983 interest expense on Amtrak's debt to the Federal Finance Bank as provided for in P.L. 97-35. The deferred interest will be added to the loan principal. The law also requires that the Department of Transportation review this matter and report back to Congress with a recommendation on how best to relieve Amtrak of its debt. Amtrak has previously recommended that the debt be forgiven.

Revenue/Cost Ratio

Amtrak will meet the 50 percent revenue-to-expense ratio that was mandated by Congress in P.L. 97-35, which is an 18.8 percent improvement over the fiscal year 1981 revenue-to-expense ratio of 42.1 percent. Estimated revenues for fiscal year 1982 have been revised from $634 to $615 million to reflect current adverse economic conditions. Funded costs in fiscal year 1982 have also been decreased at higher corresponding rate levels to $1230 million, a result of the above-mentioned productivity improvements.

Amtrak's fiscal year 1983 operating grant requirement is $650 million. This amount is a result of further cost savings and will provide for operation of the existing route system as designated by Congress in P.L. 97-35 in addition to continuation of the 403(b) program pursuant to existing state funding criteria. This is a modest 6 percent increase over the fiscal year 1982 operating grant of $614.6 million.

Food and Beverage

As you know, Amtrak is required by law to reduce the food and beverage deficit it incurred in fiscal year 1981 by 50 percent in fiscal year 1982 and to eliminate that deficit altogether during fiscal year 1983. While I question the wisdom of treating our food service, which is an integral and indispensable element of

our overall service package, as if it were an independent profit center, we have, nevertheless, made radical changes in the kind of service we provide in order to comply with this mandate. We are confident of meeting the fiscal year 1982 target. We intend to meet the fiscal 1983 target as well, although at this point I am unable to tell you exactly what steps will be necessary in order to do this. Among the options we are considering are food cart service and some kind of reasonable allocation to the food service account of transportation revenues attributable to the availability of that food service.

The fact is that without the benefit of food and beverage service on board our trains, we believe a substantial reduction in our total revenues would result; therefore, attributing an element of total transportation revenues to our food and beverage service is justifiable.

Reservations and Commuter Operations

For several years, Amtrak management has recognized that it would be necessary to acquire a new computer system to support Amtrak's expanding reservations, ticketing, operational, and communications system requirements through the 1980's and into the 1990's. The computer system we had purchased in 1972 was showing signs of age, both in terms of its technical limitations and obsolescence, as well as in terms of its deteriorating physical performance and reliability.

The new system Amtrak purchased and developed, named ARROW, represents the largest and most ambitious systems development project ever undertaken by Amtrak. The new system is readily expandable both in terms of function and capacity using current technology, equipment, and a ready supply of trained talent. The system will also allow travel agents to access Amtrak's reservations and ticketing system. This final enhancement has been a long sought goal since it will allow thousands of new agents the opportunity to sell space on Amtrak.

Compared to the system it replaced, ARROW offers many advantages:

--Greater technical capacity for expansion.

--Faster response times to inquiries. This will allow Amtrak to increase revenues and improve productivity levels.

--Improved reliability as the new system is more dynamic and does not require frequent "down time" for servicing.

--Improved customer service and revenue potential since reservations may now be made up to 340 days before travel, eliminating the previous 180-day limitation.

--Increased sales potential as the new system will have sufficient space to store more information on tours, promotions, and other revenue-generating programs.

Although we did experience some problems in effecting the transition from the old system to the new one, we have identified and corrected most of the early start-up problems. While the system is far from perfect, we anticipate continuing improvement in the coming months.

Fare Policy

Amtrak's objective is to minimize its long-term deficit by improving the ratio of revenue to costs. Fare increases play a critical role in our doing so. In implementing pricing actions, Amtrak's policy is to maximize revenue while maintaining long-term ridership growth. During the past four years, Amtrak's compounded fare increases outpaced compounded inflation increases by almost 30 percent.

Amtrak will continue to pursue a strategy of increasing its prices at regular intervals and adjusting the rate of increase on a market-by-market basis.

Our fiscal year 1983 budget is based on a projected inflation rate of 8.7 percent. This projection is a little less optimistic than the Administration's estimates, but is consistent with the numbers forecasted by the Congressional Budget Office and other private economic forecasters.

On the revenue side, we estimate receipts of $690 million, a $75.4 million or 12.3 percent increase over the fiscal year 1982

level, despite a down turn in the economy. This revenue increase will result from scheduled fare increases during the year and a modest increase in ridership that is projected in the improving economic climate expected in the latter part of the year. Any significant fare increases above those currently planned for fiscal year 1983 would be counterproductive and could negate even the most modest projected ridership gains for the year.

Labor Protection

Amtrak has estimated and budgeted $4 million for labor protection payments in fiscal year 1983 as a result of previous discontinuances of intercity service. No additional payments are anticipated under the Title V program.

State and Local Taxes

Our fiscal year 1983 budget also assumes continued relief from state and local taxes which produces a total savings of $13.5 million in fiscal year 1983. Approximately $6.5 million of this amount results from permanent state and local tax exemptions that were contained in amendments to the Rail Passenger Services Act. The remaining $7.0 million represents savings accrued from provisions contained in the fiscal year 1982 Transportation Appropriations Act, P.L. 97-102, which prohibits Amtrak from paying state and local taxes in fiscal year 1982.

Taken literally, the appropriation language does not exempt Amtrak from state and local taxes, but prohibits payment of those taxes, which merely defers our liability. Amtrak estimates that we will incur $3.8 million in penalties and interest if this provision is not continued in fiscal year 1983, because P.L. 97-102 does not address the localities' rights to assess taxes, penalties, and interest.

NECIP

The Northeast Corridor Improvement Project (NECIP) continues in an uncertain state--its future made somewhat unclear by the proposed budget which appears to be based on a $2.19 billion funding level as opposed to the full $2.5 billion Congress authorized for completion of the project. While, to date, no legislation to

reduce the total NECIP authorization from $2.5 billion to a lower level has been recommended, several components of the project have been eliminated and the Administration has announced its intent to shift the focus of the project away from development of high-speed rail service to safe and reliable service only. The Omnibus Reconcilation Act of 1981 reiterated Congressional intent with regard to NECIP and directs the Secretary to complete the project in accordance with Congressionally-mandated objectives, including speed goals. The Northeast Corridor is the heart of the Amtrak system from which a major part of our revenues are derived. We are hopeful that the policy questions can be settled in the near future so that Amtrak will be able to determine what type of service we can most effectively provide. Although the scope of work described when the project was orginally created is far too ambitious to be accomplished with even $2.5 billion, Amtrak will work closely with DOT to complete those elements critical to the success of the project.

Union Station

The Union Station Redevelopment Act of 1981 provides a mechanism to renovate and commercially develop, with a minimum of federal investment, the historic Union Station. The law accelerates the transfer of ownership of Union Station to the Department of Transportation (DOT) and gives DOT primary responsibility for seeking out private developers and for coordinating renovation of the building and completion of the parking garage. DOT is also directed to restore the building to its original use as a rail passenger station. In accordance with provisions in the Act, Amtrak has submitted to DOT marketing estimates for passenger volume, space requirements for a full range of services, and design and engineering plans for improved station access. It is my understanding that this information was favorably received and will be considered for inclusion in the one-year study which will address the building's structural integrity, the potential for commercial development, and operational and passenger service needs. Amtrak affords the

Washington Union Station Project a high priority and will continue to work closely with DOT.

ICC Decision

Our budget justification identifies those categories in our operating budget which we believe will be adversely impacted by the January 25, 1982 ICC decision concerning division of the costs between commuter, freight, and intercity passenger operations. Preliminary estimates indicate that this decision will transfer $20 million in costs from freight and commuter to Amtrak in fiscal year 1983. This is equivalent to reducing our revenue/cost ratio by one percentage point.

Amtrak Commuter

The Omnibus Budget Reconciliation Act of 1981 directed the Amtrak Board of Directors to act as incorporators of Amtrak Commuter. This activity has been completed. The law refers to the commuter services corporation as "Amtrak Commuter" and includes the phrase "wholly owned subsidiary of the Corporation"--both are inaccurate and misleading.

The Act requires that Amtrak and Amtrak Commuter closely coordinate or actually consolidate some functions to achieve operating efficiencies. The possiblity of consolidating functions has been explored, and we have concluded that only slight savings would be available and Amtrak would not benefit from these economies. Amtrak continues to be concerned that the operation of commuter services will be performed by a separate entity which offers limited-distance, intracity rail transportation, and will use "Amtrak" as a prefix to its name. We feel this is misleading and would distort the intercity image that Amtrak has worked to establish. Recently the Commuter Subsidiary Board voted to delete the name "Amtrak."

Amtrak has submitted a legislative report to Congress, as required by law, recommending technical changes in the law that would eliminate these problems. We will continue to work with Congress to identify those provisions in the law which may hinder the resolution of the Northeast Corridor rail commuter problems.

Mr. Chairman, Amtrak looks forward to another successful year as the second decade of Amtrak rail passenger service gets underway. We believe that the goals established in the 1981 amendments are largely attainable, and that Amtrak is taking the appropriate steps to achieve these goals.

IMPACT OF STATE AND LOCAL TAX EXEMPTION

Mr. Boyd, last year the bill included language which prevented the use of Amtrak funds to pay State and local taxes in order to avoid a situation where the local and State authorities were essentially taxing a Federal investment through an Amtrak passthrough. I understand that there may be some concern with this approach.

What experience have you had over the last few months in working with the State and local authorities?

Mr. BOYD. There has been some concern expressed by a number of local officials, and I share that concern. It was important that funding in the amount of the diminution of the taxes for 1982 be made available for operation of the total national system.

However, the way in which the legislation actually functions is that it prohibits Amtrak from making any payments. It does not affect the taxing authorities' right to assess taxes and the remedies which they have available to them for the collection of taxes which could create some serious situations. I am sure that it has been a burden on the various communities that have been impacted.

Senator ANDREWS. Except for one thing, Mr. Boyd. There was a lot of competition for those Amtrak routes. A lot of States are saying that they want it, they must keep it. Other States are not getting any. It is kind of putting your money where your mouth is to a certain extent.

I would like a list, if you could give it to us, of the States that are fighting this. I recognize that the legislation was less than, shall we say, complete, nonetheless I think it represented a determination of the Congress.

In my State there are articles coming out because it is the time when they levy the taxes, and there are certain subdivisions that are unhappy that all of a sudden they are not going to get the $15,000 or $20,000 in taxes they used to get from Amtrak. Yet, South Dakota gets no Amtrak service whatsoever, and so North Dakota is not getting any Amtrak tax revenue.

I learned a long time ago that you don't levy the taxes on your own State, or you live forever in peril, but if you are not going to be candid about the need for funding Amtrak, we are just not going to have a nationwide Amtrak system.

How many States have fought this tax abatement procedure?

Mr. BOYD. Actually, to my knowledge, no one has taken any legal action of any kind. The only direct information I have received of opposition is from the mayor of Providence, R.I.

I have seen, through our clipping service, editorials, or news articles from other communities expressing some regret or resentment. I will be glad to provide you with such information as is available to Amtrak in this area.

CORRESPONDENCE FROM SENATOR PELL

Senator ANDREWS. The subcommittee has received a letter from Senator Pell regarding the tax issue. He requested that his letter be made part of the record. Without any objection, we will include it at this point.

[The letter follows:]

APRIL 20, 1982.

Hon. MARK ANDREWS,
Chairman, Appropriations Subcommittee on Transportation and Related Agencies, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: I understand that your Committee is conducting a hearing tomorrow on the 1983 Amtrak budget.

As you know, the 1982 Transportation Appropriations bill granted Amtrak a complete exemption from State and local taxation. In my view, this tax exemption is bad policy and I urge your Committee to remove it from next year's Amtrak appropriation.

Of particular concern to me is the very unequal impact of the tax exemption. The property that is actually owned by Amtrak is heavily concentrated in the Northeast; outside of this region the great bulk of Amtrak's 23,000-mile system is leased from other, taxpaying private railroads. This means that the cities and towns of the Northeast corridor—Amtrak's greatest passenger revenue base—bear almost the entire burden of the tax exemption, simply because Amtrak happens to own its right-of-way rather than lease it from other railroads. Over 20,000 miles of the Amtrak system will continue to be a source of tax revenue for State and local communities; only in the Northeastern States does the happenstance of Amtrak owning its right-of-way eliminate this needed source of tax revenue for our cities and towns.

As an example of the very unequal impact of the exemption, I would point out that Amtrak estimated that it would save only $14 million nationally as a result of exemption, over $1 million of the savings will be at the expense of State and local government in my State of Rhode Island—according to figures supplied to me by the Rhode Island League of Cities and Towns.

I do not believe that a region that is Amtrak's strongest source of passenger revenues should shoulder the very unequal burden of this tax exemption. The best way to build a strong Amtrak is to provide it with the level of funding that will support a viable national rail passenger network.

In your consideration of the 1983 budget, I urge you to restore Amtrak's obligation for State and local taxes, and to remove a tax exemption that is highly unequal in its impact and bad national policy.

I would ask your indulgence in making my letter a part of the record of your hearing on the 1983 Amtrak budget.

Warm regards.

Ever sincerely,

CLAIBORNE PELL.

FUTURE TAX ABATEMENT PROVISION

Senator ANDREWS. Senator Pell disagrees with the subcommittee's stand on the abatement of these local taxes. I frankly don't see any other way we could go. Given the need for dollars available to Amtrak, given the desire of States to have an Amtrak route, I think that perhaps the way of honing down these routes in the future would be that we stop them through the States that still continue to collect the taxes. That may be a way to prioritize the routes to cut back.

Do you have any recommendation regarding the future of this tax abatement provision?

Mr. BOYD. Let me say, Mr. Chairman, that our most fervent desire at Amtrak is to follow the will of Congress. I would like to interpret the legislation, if I may, to mean that it does not inhibit our paying taxes which accrued prior to 1982.

Senator ANDREWS. I would hope that it doesn't do that because that would be inequitable. I think we have to do it after the fact, once we have made it known that we have Amtrak in considerable monetary peril, and this is one of the ways that we lessen the burden on Amtrak, and henceforth no taxes should be collected.

It certainly was not the intention of the subcommittee that we not pay taxes that were levied before the suggestion was made not to pay taxes.

Did you include funds in the budget to cover 1983 taxes?

Mr. BOYD. No, sir.

Senator ANDREWS. So you think that it can work.

Mr. BOYD. It is a matter of what the intent of the Congress is. We have not included the funds. We would have to include another $25 million in our requirements if we were to make a provision for it.

I should add, Mr. Chairman, that it is our understanding that the administration will propose legislation to make permanent the provisions that were adopted last year by the Congress.

Senator ANDREWS. As I understand it, that is correct.

Let me again reiterate that the position of the subcommittee is not to undo past actions, but to work in the future, so that taxes in the future are not payable. Again, we have to get some cooperation from the State and local entities because there is a difference, as you put it, between our not paying the taxes, and their saying that they will not levy them. When push comes to shove, we have a problem.

I don't think we would want to legislate a specific tax exemption. I would not think that it would be necessary. I think the people would realize, given the need for Amtrak, that this is a way for local folks, with the exception of the major supply yard in Beech Grove, Ind., to cooperate and support the system, vis-a-vis the areas that do not have service. It's a type of user or service fee.

AMTRAK RELATIONSHIP WITH COMMUTER CORP.

The entity now responsible for the commuter rail operations, formerly run by Conrail, is supposed to be a wholly-owned subsidiary of Amtrak. I understand that Amtrak's involvement is minimal, but I would like to clarify for the committee between the two entities.

Does Amtrak have any control or responsibility for the decisions made by the Commuter Rail Board?

Mr. BOYD. None whatsoever. We do have the total stock issue as a result of the law creating Amtrak Commuter, but we have no control whatsoever. The administration has made it clear that it desired to accept the responsibility for control and the responsibility for the nominations to the board. We have complied with that.

We have offered the Commuter Corp. our full cooperation, but I have no idea what is happening there, other than what I read in the paper. We have no relationship with the management. I have not attempted to take control. Our only interest has been, other than being cooperative because we are all in this together in one sense or another, to urge the company to change its name. There has been enormous confusion created. In fact, I recently read in one of our great morning newspapers a statement by Mr. David Marston, president of Amtrak. I thought that maybe I was getting a message in a roundabout fashion.

Senator ANDREWS. That offended your sense of security. There is no sense in occupying the throne when you have a pretender. Maybe there are days when you would just as soon have somebody else take over.

Mr. BOYD. There are days like that. But the board of the corporation, in its meeting last week, I am advised, agreed to change its trade name to Commuter Services Corp. We are hoping that at an appropriate time, the Congress will be willing to change the statutory designation of that corporation, so that we will not have the confusion.

Really, the confusion of the public is much greater than that of who is president of Amtrak. It is a matter of what trains, tickets, reservation systems, and things of that nature, which create an enormous amount of confusion in the whole Northeast corridor. The Commuter Corp. people understand this and accept this.

RIDERSHIP PROJECTIONS

Senator ANDREWS. At the start of fiscal year 1982, you projected a 7-percent increase in passengers as well as an increase in revenues. I understand there have been some recent declines in ridership in the last few months. In light of this, are you going to revise your ridership projections?

Mr. BOYD. Yes; our ridership projections will be revised. We have already revised our revenue projections. The $690 million figure which had been presented to you is a revised figure down from $725 million. We are increasing our revenue and we are making ridership increases on the Metroliner service. We have had a decline systemwide, with some exceptions, for the last couple of months which we attribute generally to the depressed state of the economy and the fact that a substantial number of Amtrak passengers are discretionary travelers as opposed to a broad category of business travelers, and to the very severe weather conditions which covered a part of this country during the winter.

Senator ANDREWS. You have a congressionally mandated revenue-expense ratio of 50 percent. Will this decline in ridership affect your ability to meet that ratio?

Mr. BOYD. No.

Senator ANDREWS. Do you detect, Mr. Boyd, a greater fall off on certain routes than on others, or is the fall off uniform systemwide?

Mr. BOYD. It varies from route to route, Mr. Chairman, and it is one reason that we attribute a part of this to severe weather conditions during the winter.

Senator ANDREWS. That is fine, but the thing that I am trying to identify for the record is whether or not in this decrease in ridership, you are beginning to identify some sour routes?

Mr. BOYD. No; I don't think so at all.

Senator ANDREWS. Maybe sour is not a good word.

Mr. BOYD. The decline has been general with, as I noted, certain exceptions. One exception is our Metroliner service in the Northeast corridor, and that is a service which was speeded up last October to where we now are running 2 hours 59 minutes between Washington and New York as opposed to what had been 3 hours 25 minutes. That has made a great difference in that particular service.

PROGRESS OF THE CARDINAL

Also there is a train a few people have heard of, but which certain people love, known as the Cardinal. As the saying goes, it is a bird. The Cardinal has been operating at a level of about 83-percent higher than it did during the same period a year ago.

Senator ANDREWS. In other words, what you are telling this committee is that the wisdom that generated the keeping of the Cardinal has been borne out.

Mr. BOYD. There is no question about that.

Senator ANDREWS. You made certain people's day. After all the fuss that we made when we were telling our colleagues that this is a potential winner, you are now saying that the people down there are buying tickets to increase that ridership. So the Cardinal is, in your mind, by any yardstick employed, now moving out of the endangered species category?

Mr. BOYD. No; I would not say that. Let me give you some statistics from which you can draw your own conclusions. We had projected for fiscal year 1983, if the Cardinal had continued, a passenger-mile per train-mile figure of 133. The passenger-mile per train-mile figure on the average for February and March 1982 is 138. We are optimistic that the train, with the normal seasonal increase which comes in the summer, will very probably meet the statutory criterion of 150 passenger-miles per train-mile.

As you will recall from the concentrated interest you displayed in this last year, the Cardinal has not ever had a problem on the financial criterion. There are two criteria. One is the number of passenger-miles per train-mile, and the other is the number of cents of public support per passenger-mile. The latter has never been a problem, but the former has caused some concern. We have a substantial measure of optimism that the train will achieve the 150 passenger-mile per train-mile criterion by the end of this fiscal year.

Senator ANDREWS. Since you brought this up. The Congress also mandated that Amtrak operate its short distance routes with a ratio of passenger-mile per train-mile of 80. You have said that the long-distance rates had a ratio of 150. You say that the Cardinal is moving to meet that goal. What about the other routes? How successful are we in meeting this criterion?

Mr. BOYD. As the situation stands today, we do not anticipate any route we operate failing to meet the criterion this year.

Senator ANDREWS. Even given the current economic conditions?

Mr. BOYD. That is correct.

Senator ANDREWS. If the economic conditions improve, should you be somewhat above the level set by the Congress?

Mr. BOYD. Yes.

STUDIES ON HIGH-SPEED RAIL PASSENGER SERVICE

Senator ANDREWS. Last month, Amtrak and a group of private investors announced the formation of a new corporation to develop high-speed rail passenger service in several urban corridors. I understand that Amtrak has loaned money to the new company to undertake market feasibility studies, and the Japanese have also invested several million dollars for engineering studies. What is the current status of these studies?

Mr. BOYD. The current status is: there were two studies undertaken in California looking toward examining the feasibility of bullet train operation between San Diego and Los Angeles. The Japanese provided the funding for the engineering feasibility study and Amtrak made a loan of $750,000 to the American High Speed Rail Corp. for the purpose of financing a marketing study.

It was agreed that the two corporations would share the results of those two studies with each other, one to be owned by American High Speed Rail and the other to be owned by Amtrak.

The California studies have been completed. The reports are being written at this moment and should be delivered, in one case to Amtrak and in the other to American High Speed Rail Corp., within the next 2 weeks.

The figures from the reports indicate that a privately-financed construction and operation should be feasible; that is, a combination of the cost projections for construction and the revenue projections from the passenger forecasts. I made a commitment to Drew Lewis that if this project proceeded, it would be altogether with private funding. We would not seek any Federal funding for this type of operation.

The American High Speed Rail Corp. has retained a financial advisor who is in the process of preparing pro forma financial statements. He is in contact with a number of major investment banks in the United States, as we[11] as some major commercial banks.

The corporation is very close to designating a lead Japanese bank to deal with the undenominated portion of financing. We are contemplating about 25 percent of the total cost of this project to be financed through Japanese financial interests.

In the meanwhile, at our request, the Japanese have this month undertaken an engineering feasibility study in the State of Florida. The proposed route to be examined is Tampa-Orlando-Disney World-Miami. That study will be concluded probably by the end of calendar year 1982.

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The American High Speed Rail Corp. is now looking for venture capital to finance continuing activities pending the permanent financing. We have some optimism on that score.

I should revert for a moment and say that the loan from Amtrak is one that carries a commercial interest rate and will be repaid, assuming the project goes forward. I should also say that—if there is any value in this type of service, and I think there is enormous value in many aspects, not the least of which is that, in effect, the development of a bullet train operation will change American attitudes about all passenger rail service very substantially—just the inherent publicity that will be generated will be of great value to Amtrak.

I also anticipate that there will be a closer relationship between Amtrak and the company. There will have to be. All that will be sorted out down the line if and when the project proves to be feasible.

ELIMINATION OF THE FOOD AND BEVERAGE SERVICE

Senator ANDREWS. On another subject, Mr. Boyd. Amtrak is required by law to eliminate the food and beverage service deficit and break even on this operation by the end of fiscal year 1983. Your statement mentions that you believe that food service is an integral part of Amtrak's overall service package and shouldn't be treated as if it were an independent profit center. Would you elaborate on this, please, for the subcommittee?

Mr. BOYD. What I am saying is in any long haul passenger operation, with the exception of buses who have restaurants in their terminals and make rest stops, primarily airlines and any other services, there have to be provisions within the vehicle for food and beverage for the long-haul passengers.

The food and beverage service has not been a profitable aspect in transportation. The figures of the airline industry show that the average food cost per passenger is about $4. The airline industry includes the cost of the food in the transportation revenue. Amtrak to date has not done that, nor any portion of it.

We have made strenuous efforts to reduce the expense of food and beverage service on the Amtrak system. The law required Amtrak to cut its losses by 50 percent in fiscal year 1982 versus fiscal year 1981. We will more than meet that. The law requires us to be at zero in fiscal year 1983, and I have no idea whether we can meet that. We have no plan at the moment which says we will meet that, we only have a plugged figure.

I would elaborate a little bit further. Although I never question the wisdom of Congress, that the Congress would say to Amtrak management, "You will achieve a 50-percent revenue/cost ratio for your operation in 1982, but then we are going to add other constraints so that you can't do it on the basis of how the management thinks it ought to be done. You have to take a specific action relative to food and beverage." This makes no sense to me, Mr. Chairman, any more than if the Congress said reach an overall 50-percent revenue/cost ratio, but do not spend more than $2.50 on a wrench for maintenance of your equipment.

It is a case of where I think the Congress is legislating in a detail where it really has no business being if it is going to try to have a management that is responsive to the requirements of what the funding is and what the services ought to be.

Senator ANDREWS. That is one of the problems. When Congress works on a farm bill, everybody is an expert. They may not know a steer from a heifer, but they sure know what goes into the farm legislation. The same thing is true with Amtrak. They want to tell you what you have to do on these routes. They want to tell you what number of passengers you want to haul. They want to tell you what the food costs ought to be.

You are in a very popular sector, Mr. Boyd, everybody wants a piece of the action, and you are doing fairly well in coping with it. I enjoyed your explanation of some of the reasons, which I suspected ahead of time, for wanting to provide the food service particularly on long-haul routes.

FISCAL YEAR 1983 REQUEST

I want to get into, with you and Mr. Blanchette, some hard-nosed questions on the budget, but first I want to recognize Senator Abdnor, a valued member of the subcommittee, who may have a question.

Senator ABDNOR. No questions, Mr. Chairman. I am just passing between four committees today.

Senator ANDREWS. Just before you came, Mr. Blanchette, said right off that he has done what we needed done. I know you were an integral part of that solution. He said nice things about how things were resolved there. We ought to appreciate what he did, and we also appreciate the contribution from the Senator from South Dakota.

Senator ABDNOR. I should include our Chairman in that. I know that there was a lot of foresight in that decision, and we are very grateful. We are not a part of the country that is completely forgotten. Mr. Blanchette recognized that we are part of the United States and important. We do thank you.

DEFERRED INTEREST LIABILITY

Senator ANDREWS. Mr. Boyd, and Mr. Blanchette, Amtrak is authorized to use $880 million of guaranteed loan authority. Interest payments on the loan balance have been deferred by law for fiscal years 1982 and 1983. You have estimated that the deferred interest liability at the end of fiscal year 1983 will be about $272 million. This will be an ongoing and growing problem.

Does the administration plan to submit any legislation this year which would deal with this?

Mr. BOYD. I would like to lob that ball over to Mr. Blanchette. It depends on what the administration intends to do, Mr. Chairman. The Congress has requested some sort of a resolution.

Senator ANDREWS. The question becomes, does the administration plan to submit any legislation this year that would deal with this?

Mr. BLANCHETTE. Mr. Chairman, Mr. Boyd has not lobbed the ball to me, he has lobbed a lighted squib, and that squib, in turn, we have passed over to the Office of Management and Budget.

The Government was enjoined by the Congress to submit a recommendation in this area on the 1st of February. Prior to that time, the Federal Railroad Administration submitted a variety of options to the Office of Management and Budget. The matter now lies in the bowels of the ship of that agency. We have not heard from them. I am sure they are working diligently on it. I guess with the passing of time, we will hear which of the several options they will recommend to the Congress.

Mr. BOYD. Mr. Chairman, we have for the last 6 or 7 months been issuing Amtrak preferred stock to the executive branch of the Government equal to the amount of appropriations which have been apportioned to Amtrak. We have suggested that the way to resolve this matter to which you are referring is to issue preferred stock to the Government in place of the debt. There seems to be a problem about that.

Senator ANDREWS. That is a fine way to eliminate the interest liability, isn't it?

Mr. BOYD. It is very simple, and I think that that is the problem. As one who is a great proponent of rail passenger travel, and as one who has an awful lot of faith in the National Railroad Passenger Corp., I say, with all those stars in my eyes, there is no chance that NRPC is going to pay off this debt.

Senator ANDREWS. At least, you are candid about it.

COMPARISON OF BUDGET ESTIMATES

It is also my understanding that FRA and Amtrak are in agreement on what the budget numbers represent, but there are differing opinions on whether certain expenses will or will not occur.

Both of you should be commended on reaching agreement on these numbers, as you make our job much easier in determining how the money should be spent, rather than trying to assess what a particular service will cost.

The subcommittee has prepared a comparison of your proposals based on information provided by each of you. You should both have a copy so let's go over this and clarify your differences.

[The information follows:]

FISCAL YEAR 1982 BUDGET PROPOSALS

[In millions of dollars]

	FRA	Amtrak
Operating cost	1,390	1,390
Revenues	(690)	(690)
Shortfall	700	700
Productivity and labor improvements	(70)	(70)
ICC cost allocation	20	20
Labor protection	4	4
Work rule changes	(15)	.....
States assume 100 percent of State trains (section 403(b))	(25)	.....
Full compensation for sunset commuter trains (section 403(d))	(10)	.....
Discontinue Cardinal	(5)	.....
Subtotal	599	654
Fiscal year 1982 carryover	(15)	.....
Capital needs	16	134
Funding request	600	788

You are both in agreement that operating costs will be $1.39 billion and that revenues will be $690 million. Is that correct?

Mr. Blanchette, you have several items of savings listed, which Mr. Boyd agrees are accurately priced, but does not apparently agree will come to pass. Would you please explain the next four items and tell us why you think these changes are possible, the productivity and labor improvements, the ICC cost allocation, the labor protection, and the work rule changes.

PRODUCTIVITY

Mr. BLANCHETTE. Yes, Mr. Chairman, we agree that on a prudent forecasting basis, operating costs should be projected at $1,390,000,000. I will say that they do not include any item in respect of additional labor productivity along the line of work rules and other things to which Mr. Boyd alludes in his testimony.

We are supportive of Amtrak management's attempts to rationalize the labor relations, and we recognize that on a forecasting basis one should not crank in a specific number there because it will be obtrusive of the collective bargaining process. But we are hopeful that these can be effectuated in 1983 along those lines.

Similarly, we believe that the $690 million revenue forecast is in accordance with prudent budgeting concepts, although we are as hopeful as Mr. Boyd is that his management efforts and his marketing efforts will show us an improvement over that figure.

The shortfall is for forecasting purposes agreed upon as being in the $700 million range. We have agreed that major provisions of work rules and other changes, productivity, and labor improvements of some $70 million will be achieved. The ICC cost allocation is a result of a decision rendered by the Interstate Commerce Commission with respect to the sharing of costs in the Northeast corridor.

ICC ALLOCATION COSTS

Senator ANDREWS. Do you both agree on the ICC cost allocation with Conrail, that it will cost you $20 million?

Mr. BLANCHETTE. We both agree that if that decision stands, and Mr. Boyd can speak to what actions he may have in contemplation of challenging that decision, it is a $20 million negative effect on cash.

LABOR PROTECTION

Senator ANDREWS. In addition, you both agree that labor protection will cost you $4 million.

Mr. BLANCHETTE. Yes; I think it is more of a plug number, but it is always in the order of that, since I agree with Mr. Boyd that we don't contemplate any diminution of the national network in fiscal year 1983.

Senator ANDREWS. You agree that $70 million can be saved in productivity and labor improvements?

Mr. BLANCHETTE. That is correct.

WORK RULE CHANGES

Senator ANDREWS. When we get to work rule changes, you have a $15 million saving that you would indicate, whereas Mr. Boyd is silent.

Mr. BLANCHETTE. He is silent only in one sense: we have the $15 million figure from Amtrak management.

Senator ANDREWS. I guess, Mr. Boyd, and I am trying to put words in your mouth and maybe I shouldn't, as I understand what Mr. Blanchette has said, you agree that they are accurately priced, but you don't apparently agree that they will come to pass.

Mr. BOYD. That is correct. We agree on the figures. We say that if we are able to achieve everything we seek in the way of work rule changes to be effective on January 1, which would be three-quarters of a full year, we will save $15 million.

On a full year basis, that figure will be $20 million, again assuming that we achieve everything we seek and we do it on a timely basis. Those are two assumptions, which are not sufficiently rigid in my view for us to be willing at this stage to say, it is going to happen.

Senator ANDREWS. But if it happens, it is a $15 million happening?

Mr. BOYD. Yes; and that we won't mind.

Senator ANDREWS. Under the States assuming 100 percent of the cost of the State trains, you give that a $25 million credit. Do you agree on the $25 million credit, but you are not in agreement as to whether or not it will come to pass?

Mr. BOYD. If I understand the situation correctly, Mr. Chairman, Congress enacted legislation which states the level of support for trains in various States, 403(b) trains. We agree that if Congress changes the law and eliminates that provision of the law, then this figure will be right. But I confess that we have seen no evidence that Congress is going to change the substantive law.

Senator ANDREWS. If you can anticipate Congress, then you are better than those of us who serve in Congress.

Mr. BOYD. I did not say that I could anticipate Congress. I said that I have seen no signs.

SUNSET COMMUTER TRAINS

Senator ANDREWS. Mr. Blanchette gives a $10 million credit for full compensation for sunset commuter trains, section 403(d), and you don't necessarily think that that is going to come to pass.

Mr. BOYD. No, sir. We have raised this for several years since I have been at Amtrak. We have been advised by the Congress every year to keep running the sunset trains. It seems that the sun won't go down. After 4 years, I think I get the message.

Senator ANDREWS. Mr. Boyd, that is part of the learning process.

Mr. BLANCHETTE. Mr. Boyd was a prophet before his time. We believe that it is an idea whose time has come. We all know of Mr. Boyd's extreme modesty. We believe that his able team of labor negotiators will be able to get what they are asking for because they are entitled to it.

THE CARDINAL

Senator ANDREWS. You also have an item on the Cardinal that you say, Mr. Blanchette, will save $5 million. Mr. Boyd already gave testimony that the Cardinal is picking up. With the expressed interest of Congress to continue this train, I would say that that is a saving that is no longer in the bag.

Mr. BLANCHETTE. My theory on the $5 million is that if it meets the statutory criteria, it ought to operate. If it doesn't, in the absence of change in the law, it should not. Of course, I recognize that there are other factors involved in that.

Senator ANDREWS. Mr. Boyd suggested that it would meet the statutory level of 150 passenger-miles per mile, and it is moving toward that goal, then that level would eliminate the $5 million.

Mr. BLANCHETTE. No; it would not, sir. If it meets the 150 passenger-miles per train-mile, then the train will be operable under the statutory criteria, but it will be a lame bird and it will still cost approximately $5 million to operate even though it meets the statutory criteria.

Senator ANDREWS. You have not learned anything from last year, or you would have learned that that bird has more life in it than most of the other birds that are flying around in this country.

Mr. BLANCHETTE. I was talking in terms of being successful in shooting it.

Senator ANDREWS. There were a few people, but their aim was not that accurate, and maybe the facts were not that accurate either.

FISCAL YEAR 1982 CARRYOVER

Mr. Boyd, the FRA has included a $15 million carryover from the fiscal year 1982 in their calculation which you have not. Do you disagree with the fact that there is going to be a carryover or with its use as prescribed by FRA?

Mr. BOYD. No; we don't disagree that there will be a carryover in the sense that there will be $15 million available. However, as we understand the applicable provision of the law, it says that that money, if there is money, will be utilized for the capital programs of Amtrak.

CAPITAL PROGRAM

Senator ANDREWS. Finally, FRA has proposed a capital program of $16 million, as opposed to Amtrak's $134 million proposal. Would each of you outline your various programs?

Mr. BOYD. Yes, sir.

The stated requirements amount to $230 million for the next year. In order to stay within the authorizing legislation, we have reduced that to $134 million, of which the breakdown by category is:

Revenue equipment, rolling stock, $29 million; motive power, $5 million; maintenance facilities, $11 million; stations and other facilities, $39 million; and right-of-way, $50 million.

REVENUE EQUIPMENT

The revenue equipment of $29 million is part of the on-going equipment modernization program, which I need not outline for the committee. It has had a great deal to do with the change in emphasis and perception of Amtrak as a nationwide rail passenger system.

This $29 million would be in line with the need recognized in the President's budget for upgrading equipment to higher density, to be applied toward the purchase of 50 economy sleeping cars and 20 sitdown food service cars, which would be compatible with our Amfleet II equipment, that is, they would be single level cars.

Our calculations are that we would produce 20 percent return on investment by improving the revenue generating capacity per car and reducing the maintenance and onboard service costs. It will also permit a phased replacement of sleepers and diners as these cars begin to be retired over the next few years.

MOTIVE POWER COST

Motive power for $5 million: Amtrak operates in and out of Grand Central Station in New York City. A New York City ordinance forbids operation of diesels in the Manhatten tunnels so we must either go through an expensive and time-consuming change of engines or use a dual capable engine. We now utilize 25-year-old FL–9 diesel-type locomotives which have a third-rail capability.

That equipment has reached the stage where it has been rebuilt, overhauled, and rebuilt to such a degree that the maintenance costs are astronomical, and we must do something about some new equipment. This would provide for a prototype diesel-electric high-speed locomotive for that service.

MAINTENANCE FACILITIES COST

The maintenance facilities for $11 million would include:

To continue our programs to clean up and contain pollutants according to Federal law, $4 million. Actually we need about $8 million, but we figure that we can stay out of jail next year with $4 million; and

To continue our program to modernize car and locomotive maintenance facilities to increase productivity and improve equipment utilization, $7 million, and that would be largely in Los Angeles.

STATIONS AND FACILITIES

The $39 million for stations and other facilities includes:

To provide accessibility to the handicapped patrons, $9 million, and there again it is not a full compliance with the law but it is enough, I think, to establish our bona fides in this area;

A fund to encourage State and local participation in joint station projects that will provide Amtrak funding to rehabilitate stations where required for safety or legal reasons, and to construct stations when sufficient new revenue can be identified, $12 million;

A program to improve boarding control and service information systems, $12 million. One of the things we believe is that we are currently losing about $12 million a year in revenues because of our lack of adequate controls over boarding, which means grabbing and canceling a ticket, and making sure that it doesn't get by the ticket collectors on the train as it does under the system that we use today. That would be a high pay-out item; and

Baggage and express facilities and equipment, data communications equipment, and data processing equipment, $6 million. This is a conglomeration of things.

Senator ANDREWS. How do you miss canceling out tickets on a train? Whenever I have ridden on the train, the conductor goes down the aisle, he finds everybody and takes the ticket away and puts a little nick in it with his punch. Don't they do that anymore?

Mr. BOYD. Yes, sir, they do, and that works well on the long-distance trains. On the short-distance trains, we often have overcrowded conditions and the conductors miss some of the passengers.

The $12 million figure may not be accurate. We can't possibly know if it is an accurate figure, but it is an educated guess. It could be $10 million or it could be $15 million, but it is a substantial amount of money. This would be for control mechanisms that would be utilized largely in corridor type operations, which is where we have our highest volumes per train.

RIGHT-OF-WAY COST

Right-of-way cost would be $50 million, of which $43 million would be to upgrade track that Amtrak acquired in a deteriorated condition; $6 million to start on a program to consolidate our New York operations at Penn Central Station and ultimately get out of Grand Central Station, but that is a good many years away; and $1 million to provide for continued participation in highway grade crossing programs.

SIZE OF SYSTEM TO BE OPERATED

Senator ANDREWS. Mr. Boyd, under the administration's proposed $600 million funding level for Amtrak operations in fiscal year 1983, would you anticipate being able to operate passenger train service only in the northeast corridor as you originally estimated when $613 million was proposed for funding last year?

Mr. BOYD. Unless all of the administration's legislation proposals were enacted, we could operate only an estimated 63 percent of the current system with a $600 million funding level. What that means in

specific routes, I can't tell you. It would be a little less than two-thirds of the existing system.

Senator ANDREWS. You have come up with an operating cost, however, that is right on with the administration. In this game plan that we walked you through, the revenues are the same as the administration's, $690 million. You both come up with a shortfall of $700 million. You both guess that if the productivity and labor improvements are put into effect, they will be $70 million.

You don't diverge until you get to work rule changes and the States assuming 100 percent cost for sunset trains. The only place you really diverge largely is in your capital needs where you are $118 million apart.

It seems preposterous to have that difference in capital needs, and say that you are only going to be able to operate 63 some odd percent of the system because you are not getting your capital needs out of the President's budget.

Mr. BOYD. Can I take you through a short exercise?

Senator ANDREWS. Sure.

DECREASE IN OPERATING GRANT

Mr. BOYD. Even a reasonably small decrease in the operating grant will result in large route reductions for two reasons: One is that infrastructure costs remain relatively fixed when routes change; the second is the labor protection costs tend to consume large amounts of the savings from cutbacks.

In large decrements to the system, each dollar of operating cost to be saved would be offset by the following: 56 cents in foregone revenue; 25 cents in labor protection; and 3 cents in shutdown costs for 84 cents in total offsets, leaving a net 16 cents in operating grant reduction.

IMPACT OF FREEZE ON APPROPRIATIONS

Senator ANDREWS. As part of the overall budget agreement, what would be the impact of the freeze on appropriations to the fiscal year 1982 level?

Mr. BOYD. We could survive, and we could operate the full system.

Senator ANDREWS. And make a number of your capital improvements?

Mr. BOYD. Yes.

Senator ANDREWS. But with the administration's level of funding, you think you will have to discontinue some 30 percent of your service?

Mr. BOYD. Yes, sir, that is our position. This is a very complicated business.

OPERATING GRANTS

Senator ANDREWS. It is a complicated business when, as I said before, you both have the same operating costs, when you both have the same revenue, when you both anticipate the $700 million shortfall. The $118 million worth of capital costs is what gets you over the budget, but that shouldn't say that we have to cut out a third of the trains.

I am just a country kid, Mr. Boyd. We add two and two, and it comes out four in the country. I assume you railroad tycoons add two and two, and it has got to come out to four.

Mr. BOYD. Mr. Chairman, as I add the FRA figures, they come out with $70 million less in operating costs than we have.

Senator ANDREWS. Let me get back to what we did. First, I asked the question of you and your alter ego, Mr. Blanchette. You both agree with the operating cost of $1,390 million. You nodded, and agreed. I asked you both if you agreed with the revenue estimate of $690 million, and you nodded, and said that you agreed with that. Am I mistaken in what I assume you said at that particular point, about 25 minutes ago?

Mr. BOYD. No, sir. However, as I said, the assumptions which are made by the FRA take a major cut out of the funds that would be available to Amtrak for its operation. That, in turn, impacts what our revenues would be, and that, in turn, impacts on what our labor protection would be. So you cannot say, these figures are all OK, but let's change a couple of them, and leave the rest the same.

Senator ANDREWS. It appears to me that as far as the operating costs, the revenue costs, and the shortfall, you all agree with that, or you are not that far apart. I would assume that that is the thing that makes it a challenge, to be able to finally come up with an operating figure that you can agree will run a national system.

Mr. BOYD. Mr. Chairman, I will be glad to ask Mr. Haywood, who understands these figures, to go through them and try to explain them.

Senator ANDREWS. Do you have any magic that you can work on the figures over what Mr. Boyd has already said?

Mr. BLANCHETTE. May I see if I can narrow the question.

We are $70 million apart, exclusive of capital, and this is based on the following assumptions:

The $15 million that we say is susceptible to occur from the work rule changes in the Northeast corridor beginning on January 1, 1983. Mr. Boyd says that that $15 million is, on an annual basis, $20 million, but since it only starts on January 1, it is $15 million. It is based on the assumption that he gets everything that he asked for, and he is not willing to put that assumption into his budget. But, I cannot assume that Mr. Boyd will get anything that he has asked for, since they have the better half of the argument. So there is at least $15 million.

The changes in 403(b) and 403(d) come up to a total of $35 million. That is within the control of the Congress. If the Congress does not agree with the administration that the States ought to make the kind of contributions that the Chair referred to earlier for these services, then you have to add $35 million.

The $5 million is based on whether or not the Washington-Cincinnati train meets the 150 passenger-miles per train-mile. The Congress has exhibited an intense knowledge of that and can make its own assumptions with respect to that.

Senator ANDREWS. You know what experts we are on the Cardinal. You also have experience with the Cardinal because you run it. Mr. Boyd said that it has improved its ridership figures.

Mr. BLANCHETTE. In that case, the $5 million goes right back into the budget.

With the fiscal year 1982 carryover, we are willing to relax the stringent requirement that it be consumed only in capital. Therefore, we say, let it be used for operating. Obviously, it is $15 million either way. If we are wrong in that, and you still want to restrict that to capital, then that reduces Mr. Boyd's capital budget.

CAPITAL GRANTS

On the capital budget, we have gone over it, and we do not see any need to replace the fleet for $25 million in 1983, which would require another $74 million in 1984. We have looked at the safety items, and they are all in the same box of projects that every railroad engineering department has. We can find only $900,000 in safety.

We have great confidence in the FL–9, and we do not see the need to develop a prototype diesel/electric high-speed locomotive for New York to Niagara Falls. That is $5 million.

We agree essentially on the cleaning up pollution requirements, and these are priced at $3.5 million. We agree with Amtrak's management on the handicap regulations, and we put $9 million for that.

On the reservation system, and the service information system, we want to see the $6 million that has just been invested in the new reservation system paying off. We don't see any need for the $12 million, but if the $12 million is going to earn $12 million, it is a wash.

In 1982, on the baggage and express facilities, which is suggested here for $6 million, Amtrak received $15 million for putting on these items.

We have looked at the right-of-way of $50 million, and we noticed that $43 million is for the Harrisburg route. The Harrisburg route already has a 70-mile-an-hour speed. $10.2 million was spent in fiscal year 1982 on this line, and the speeds were raised to 79 miles an hour.

We agree with Mr. Boyd that the move from Penn Station is many, many years ahead, and we see no present need to spend $6 million there.

Those, however, are matters that every average railroad has as a capital program that they would like to see implemented.

I must agree with Mr. Boyd that a freeze at the 1982 level would certainly make the system operable and give a healthy margin for capital improvements.

I will also note, parenthetically, that out of this hearing material you have before you, we are also putting $150 million in capital improvements on the Northeast corridor. But on the $70 million disagreement, those are items, essentially, that the Congress can judge and evaluate on its own. We certainly do not contemplate a decision that will result in a one-third cut in the Amtrak system.

Senator ANDREWS. Mr. Boyd, now that you have your financial planning expert, could I ask you to put a rebuttal on the record, so the committee could have it.

[The information follows:]

Mr. HAYWARD. As you have noted, Amtrak and FRA agree on a national system and its operating costs and revenues. However, as both Mr. Boyd and Mr. Blanchette have pointed out, there is a significant $70 million difference in the operating funding requirement in the two estimates. Amtrak estimates a requirement for $650 million while the FRA proposal would provide only $580 million.

The FRA states that it plans to submit legislation that would relieve Amtrak of $40 million of fiscal year 1983 costs. If such legislation were enacted and in effect for all of fiscal year 1983, Amtrak agrees that cost avoidances on the order of $40 million would be realized. One should note, however, that if such legislation causes a discontinuance of service rather than an assumption of funding by the States, the result will be an added labor protection cost to Amtrak.

Further, FRA proposes to divert $15 million from the fiscal year 1982 capital budget to fiscal year 1983 operations and, in addition, prejudges the outcome of collective bargaining with our nonoperating unions in order to arrive at a final $15 million reduction. The assumption concerning the labor outcome is suspect. While $15 million correctly prices the concessions that Amtrak is requesting, the history of collectively-bargained agreements suggests that one party seldom gets all that it requests.

Diversion of the $15 million from capital is feasible but it will have a serious impact on an already small capital program.

If all of FRA's assumptions were realized, Amtrak agrees that the existing system could be operated with $580 million of operating funding proposed by FRA.

However, if we were to receive the FRA proposed funding but not realize the benefits of their assumptions, we estimate that we could afford to operate only 63 percent of our current system.

BULLET TRAIN SERVICE FOR FLORIDA

Senator ANDREWS. We have not gotten to the FRA questions, so I want to cover that before we get pressed for time.

Senator Chiles, do you have a question on the last part of it?

Senator CHILES. Yes, sir, I do.

Several months ago, I had the pleasure of discussing with Mr. Boyd the Japanese proposal to fund engineering studies, and the feasibility of providing bullet train service in southern California, in the Midwest, in the Chicago area, and in southern Florida.

The Florida study will begin next month, and it will be funded at the level of $1 million. As I understand it, it will take 6 months to complete the engineering study of the Miami-Orlando-Tampa route that is now proposed for Florida. Earlier this month, the Governor announced the formation of a high-speed rail committee whose purpose is to cooperate with the Japanese study team and the private sector to determine the feasibility of a privately owned and operated high-speed system in Florida.

I have talked to a number of citizens about this proposal, and the reaction has been universally positive. There is a great deal of excitement at the prospect of high-speed rail service in Florida.

JAPANESE STUDY PROPOSAL

Mr. Blanchette, I would like to know what position the Federal Railroad Administration is taking with regard to the Japanese study proposal for the bullet train service in the United States based both on your long experience in the railroad industry in the country, and now based on the fact that you are the chief spokesman for rail policy for the administration.

What likelihood do you give for establishing bullet train service in this country that could be operated by the private sector without Federal subsidies or support?

Mr. BLANCHETTE. I have not seen, Senator, the feasibility studies that the Japanese completed and which are now being written. Mr. Boyd has advised the Chair earlier that those studies will be forthcoming in 2 weeks, and I would like the opportunity to review them.

We have followed this matter with considerable interest. I am supportive of the efforts that have been going on. Again, subject to reviewing the actual studies, we have agreed with Amtrak that we would be fully supportive of the effort. They have agreed with us that the marketplace will be the judge. These trains will be judged on their success in the private sector in raising the necessary capital, and in making the system operable on a business basis.

On those mutual stipulations, I am very supportive, and I know the Secretary is also of the whole project.

Senator CHILES. Mr. Boyd, what are the next steps to be taken? If everything goes well when could construction begin and when could the bullet train be in operation?

MARKETING AND FEASIBILITY STUDIES

Mr. BOYD. Senator Chiles, you mentioned the feasibility studies. The engineering feasibility study is underway. Next will come a marketing feasibility study to see whether or not the projections would support the number of passengers and the amount of revenue to cover the capital and operating costs, and to repay the investors.

Our procedure is to conduct the marketing feasibility study after the engineering study has gotten far enough along so that the engineering team can advise us if there is anything that has shown up that would say this is a "no go" proposition.

We would anticipate, sometime this fall, engaging a well-recognized, creditable firm in the field to do marketing feasibility studies. We have completed one in California, using Arthur B. Little Co. We would use a company of that caliber. Those studies should be completed by the end of this year.

Senator CHILES. Both studies?

Mr. BOYD. We will see that they are completed simultaneously. The marketing feasibility study does not take as long as the engineering study.

Then, assuming that the results of both studies are favorable, we will develop a financing plan and take it to the financial institutions in the United States to see about obtaining the financing.

Depending on how the system would be constructed, assuming that we get the funding, it could well be that the first segment would be constructed between Tampa and Orlando, and that it should be capable of being in operation within about 3 years from the time the financing arrangement was made.

Senator CHILES. Three years from the time you completed the study?

Mr. BOYD. From the time the financing arrangement was made.

FINANCING ARRANGEMENT

Senator CHILES. You said, assuming that it was feasible and the financing was there, what kind of time would you normally expect the financing arrangement to take?

Mr. BOYD. We are currently engaged in developing the financing for the California system.

Senator CHILES. That is going to be private financing, too?

Mr. BOYD. Yes, sir. It is our current belief that we should have the financing completed before the end of this year, and that is on the basis of having——

Senator CHILES. When did you finish the studies?

Mr. BOYD. The studies were actually completed March 31. We do not have the reports. We have the figures, but we do not have the total report. We have the statements of methodology and all the backup stuff that goes into the report. Those reports should be available to us and to the investment bankers within 3 weeks.

Senator CHILES. Do you expect to have the financing completed by the end of this year?

Mr. BOYD. Yes.

Senator CHILES. When would you expect construction to commence?

Mr. BOYD. Sometime next year.

Let me back up on that. As I understand it from the engineers, it will take about 1 year to complete the engineering design, so it would be close to the end of next year.

Senator CHILES. But you still think it would be 3 years in California?

Mr. BOYD. It will take a total of 5 years.

Senator CHILES. It is a different situation.

Mr. BOYD. Yes; Florida could be the first one in operation.

EQUIPMENT FOR METEOR AND SILVER STAR

Senator CHILES. Mr. Boyd, we have heard of Amtrak's proposal to put new and rebuilt equipment on the Meteor and Silver Star, two trains that serve Florida. I understand that there has been some delay in the acquisition of this equipment because of the strike in the Westinghouse airbrake plant. When do you expect the equipment to be in place in the Florida terminals?

Mr. BOYD. We are currently operating with new equipment. It is in place.

Senator CHILES. So it is in place?

Mr. BOYD. Yes.

Senator CHILES. Mr. Chairman, I have no further questions.

REDEEMABLE PREFERENCE SHARES

Senator ANDREWS. Mr. Blanchette, you are proposing to terminate the section 505 program of redeemable preference shares to finance improvement projects and assist reorganization of bankrupt railroads during fiscal year 1983. You have $128.9 million of redeemable prefer-

ence share funding available in fiscal year 1982 for financing projects. How much of this funding have you actually obligated so far this year?

Mr. BLANCHETTE. Not as much as I would like. I would hope to obligate all of it. I am afraid to admit that we are still negotiating with some of the Rock Island Lines, and we might have to ask this committee to let the balance of the $128.9 million carry forward.

Senator ANDREWS. How much is not as much as you would like?

Mr. BLANCHETTE. The $30 million for the Miles City Line, I believe, will be obligated this year. The $25 million on the East St. Louis Line, I cannot tell you, since there is no applicant for that line.

I am hopeful that $25 million on the OKT Line can be obligated, and I am hopeful that the line from Kansas to Colorado can be obligated this year. I would like to wait until September 30 on many of these applicants.

Senator ANDREWS. Have you obligated some money or not?

Mr. BLANCHETTE. I have not obligated any at this time.

Senator ANDREWS. What seems to be the problem? It sounds as though the railroads are not using the program. Is the need there?

Mr. BLANCHETTE. Really, the program has served its useful life. The $128.9 million, we think can be committed to meritorious projects. We don't see down the road, candidly, a continuing need for this kind of program.

Senator ANDREWS. How long do you think it will take before the section 505 program funds will all be obligated?

Mr. BLANCHETTE. Subject to further discussions on the East St. Louis project——

Senator ANDREWS. These projects are always subject to further discussions. You always think you have killed the snake, then five different new needs come along, and you have a whole different ballgame.

LOAN GUARANTEE PROGRAM

The loan guarantee program has a limit of $270 million for fiscal year 1982. In your supplemental request, you are asking that this authority be reduced by 50 percent to $135 million. In addition, you propose to terminate the loan guarantee program entirely during fiscal year 1983. You state that no adverse effects are anticipated by terminating the program because few applications for loan guarantees have been received this year.

How many applications, and for what amounts, have you actually received so far this year?

Mr. BLANCHETTE. I will have to furnish that for the record, Mr. Chairman. There was one application from the Powder River Basin, and I advised them to go private because they had a good deal.

Senator ANDREWS. Are you anticipating any other applications?

Mr. BLANCHETTE. No.

Senator ANDREWS. The Powder River one is gone?

Mr. BLANCHETTE. It is gone without prejudice.

[The information follows:]

LOAN GUARANTEE APPLICATION

We have received only one application for loan guarantees this fiscal year. The Delaware and Hudson Railway Co. requested a refinancing in the amount of $965,000 to satisfy payments due on February 25, 1982 to the Federal Financing Bank (FFB) on two D&H notes held by FFB under the FRA/D&H financing agreement. Payment of the amount due FFB was made by the administrator out of assets in the obligation guarantee fund.

TAX BENEFITS FOR RAILROADS

Senator ANDREWS. The administration has indicated its belief that your proposed decreases in Federal assistance will not have a significant impact on the financial viability of the railroads. For example, you have stated that the tax laws enacted last year which allow railroads to take advantage of accelerated depreciation and sale-leaseback provisions will offset the effects of cutting off Federal assistance.

Will these changes help the same railroads which would have received assistance from the program or are these new benefits aimed at a different group of railroads?

Mr. BLANCHETTE. They help the rich and poor alike, Mr. Chairman, because of the ability of some railroads, including Amtrak and Conrail, to sell their tax benefits in the safe harbor leases.

It has helped a variety of railroads, including the Illinois Central Gulf, which by itself has been considered a marginal railroad. So it has had widespread beneficial effects.

Senator ANDREWS. If the tax benefits are repealed, which seems to be a very strong possibility, how will that affect the needs of the railroads regarding Federal assistance?

Mr. BLANCHETTE. I don't think it will affect their need for Federal assistance.

Senator ANDREWS. In other words, you are saying that we don't need those programs because we now have the tax benefits. But if we repeal the tax benefits, are they going to need the program?

Mr. BLANCHETTE. That is a catch-22 that I am not going to play. I will not hinge my recommendation that the sections 505 and 511 programs be abolished or terminated on the economic recovery provisions that were in effect in 1981. I saw that in 1981. Those tax provisions helped the railroads immeasurably to get through a very bad year, and assisted their cash flows.

But if you look at the industry over the long term, and if you repeal all of those tax laws, I still do not see railroads coming to us and saying, "We are now in the soup and we need 505 or 511."

I know there are others who disagree with that, but I will not base my conclusions on the tax provisions. They helped us in 1981, and if they disappear, and we do have an economic upturn and continue to haul the grain and the coal, then I see the railroads standing on their own.

LOCAL RAIL SERVICE ASSISTANCE

Senator ANDREWS. You are requesting $20 million in fiscal year 1983 to fund the assistance program to States for rail planning and for rehabilitation of track and other functions on low-traffic branchlines.

15-453 O - 83 - 11

This is approximately half of what you plan to spend on this program in fiscal year 1982. And after 1983, you plan to discontinue this program entirely as well.

What would be the impact on low-traffic branchlines currently being supported by the States through the grant program?

Mr. BLANCHETTE. There will be none in my judgment, Mr. Chairman, because what has happened to that program is that it has served its purposes. Originally, the program started as a subsidy basis to maintain the operating deficits of these lines. Over time that program changed its configuration to become essentially a capital program.

We had originally said that the program should terminate in fiscal year 1982, but as I have gone over the projects with Mr. Loftus, we saw that some States had 3-year programs and that we were cutting off funds at the end of the second year of a 3-year program. For that reason, we recommended that the third year be kept in place, and that it be funded at $20 million. That was an assessment of the individual projects or the individual programs.

Essentially, there is not a subsidy in this program. We think the capital requirements can be maintained at the $20 million level and the program can be terminated after that.

Senator ANDREWS. You think that the branchlines are going to be viable 5 years from now?

Mr. BLANCHETTE. They will either be viable, or people will decide that they are not. We are seeing, for example, a lot of entrepreneurs becoming shortline operators, and we think that this is the way to go in the future. This has changed from a subsidy program to a capital program. We followed this, and we saw the capital needs essentially stop at the $20 million level in fiscal year 1983.

TRANSFER STATUS OF TTC

Senator ANDREWS. FRA has indicated that it is no longer interested in operating the Transportation Test Center in Pueblo, Colo., and so no funds are requested for this facility for fiscal year 1983.

What is the current status of the transfer of the test center to the private sector?

Mr. BLANCHETTE. We have been engaged in discussions for the better part of a year with the Association of American Railroads to see if we could have an orderly transfer of the operation of that facility to the Association of American Railroads. Within the last month, the directors of the Association of American Railroads have approved the program, and we are working with them on implementing that program.

I am hopeful that we can meet the September 30, 1982, date. I am concerned about the impact of the transfer on the local community. We met with the Mayor of Pueblo, a number of local officials, and are working closely with them to see that the transition can be smooth.

There are some Federal employees out there. I have authorized an outreach program to see, if they are not kept by the AAR, if we can assist them in finding employment.

I think we are on course. It is a tight schedule, I recognize that, but frankly, Mr. Chairman, everyone has said a lot of things, but no one has said that I was wrong in the proposition that the U.S. Government doesn't know how to operate a facility of that nature from a distance of 3,000 miles.

Senator ANDREWS. Sometimes they do better when they are 3,000 miles away.

Mr. BLANCHETTE. We don't know how to run that facility, and we never have, and we never will.

Senator ANDREWS. Is any of that test center considered to be unique?

Mr. BLANCHETTE. It has the ability to test magnetic levitation which may be the only one in the United States, and it is not being used. It is an excellent railroad facility. It is in first rate shape. It is superb, and it should be continued as a railroad facility.

We have an investment in excess of $100 million in that facility, and that is why I want to see it continue, not terminated but continued. I think that the industry can operate it better, and we will contract with the industry for such research and development as we need out there on an arms-length contractual basis. I intend to continue to use the facilities out there.

RAILROAD RESEARCH AND DEVELOPMENT

Senator ANDREWS. How much do you expect to spend next year on R. & D.?

Mr. BLANCHETTE. Twenty million dollars, and all safety related, but I don't expect to spend it all in Pueblo, Mr. Chairman. Our safety budget has two parts. The first is the actual safety, which is $29.3 million, and our research and development, which is $20 million, all dedicated to safety. So we have a safety program in fiscal year 1983 of $49.3 million.

FRA USE OF TTC

Senator ANDREWS. Are you still going to need to make some limited use of the center?

Mr. BLANCHETTE. We will contract with the AAR. Right now our projections would be on the order of $2.5 million, but that is subject to negotiation with the Association of American Railroads.

GOVERNMENT INVESTMENT AT TTC

Senator ANDREWS. You are going to take out your payment for the center through these contract costs? Obviously you are not going to give this center away that cost hundreds of millions of dollars. Are you going to agree on a price to the AAR, and then you work out that price in contracts?

Mr. BLANCHETTE. The intention is that they are not buying the facility because it is not ours to sell. We don't own it. We only have a lease on it, and the property reverts to the State. In fact, under the terms of the lease, if we don't use it, we have to destroy the improvements.

Senator ANDREWS. How much did you say you spent on it?

Mr. BLANCHETTE. The U.S. Government has spent on the order of $104 million.

Senator ANDREWS. So here we have a $104 million Federal facility that we don't own, that we have no rights to, and that we can't sell because it is not ours to sell. No wonder people back home wonder if we are off in Disney World.

Mr. BLANCHETTE. I remember, when I was still living in Connecticut, scratching my head wondering what was going on with that facility. Now, I am in a position to do something about it.

Senator ANDREWS. When was it negotiated and put in place?

Mr. BLANCHETTE. It was a by-product of the High Speed Ground Transportation Act.

Senator ANDREWS. When we negotiated that contract, we negotiated no type of ownership whatsoever?

Mr. BLANCHETTE. It is a series of long-term leases.

Senator ANDREWS. Now, when you turn this $104 million facility over to the AAR, it is going to be difficult to recover much of the investment because under the rules of the game you don't own it.

Mr. BLANCHETTE. I don't want to scrap it. I think that would be foolhardy.

Senator ANDREWS. I can see why you don't want to scrap it, $100 million is a considerable amount of capital. It is amazing that the Government got so soft in the head that they have a $104 million investment that they are going to transfer to the AAR, and they can't charge the AAR for it because they don't have clear title to the land.

Mr. BLANCHETTE. It is even worse than that.

Senator ANDREWS. That is bad enough, don't make it worse.

ANNUAL OPERATING COSTS OF TTC

Mr. BLANCHETTE. It costs us $7 million a year before we do the first piece of research there. So, I have my eye more on this $7 million than I have on the $100 million sunken investment.

Senator ANDREWS. What are those costs?

Mr. BLANCHETTE. The infrastructure cost of that facility is $7 million. In transferring this to the AAR, we will get out of this $7 million cost. That is the cost of the heat, the light, the fire hydrants, and everything else.

Senator ANDREWS. I hope that when you give them this $100 million, they will agree to use it.

Mr. BLANCHETTE. They will dedicate it to railroad research, and if they don't use it, we will get it back.

Senator ANDREWS. Then we would have to figure out what to do with it again. You want to get that hot potato off your hands.

IMPACT OF TRANSFER ON UMTA

Currently, the Urban Mass Transportation Administration tests mass transit vehicles at the test center for the transit authorities. What sort of impact on this will result from your proposed changes?

Mr. BLANCHETTE. We have cleared it with them and it is nominal. We are projecting in fiscal year 1983 about $500,000 in research there. The AAR will accommodate their needs. In fact, the AAR will encourage people to contract, since it will have the infrastructure.

Senator ANDREWS. So the facility will be available to them for testing.

Mr. BLANCHETTE. Yes.

STRUCTURAL INTEGRITY OF UNION STATION

Senator ANDREWS. Last year, the Congress passed the Union Station Redevelopment Act. Please bring us up to date on your efforts in this area, including the status of current studies on the station, and your projections as to the possibilties of creating, again, a viable transportation terminal and commercial development there.

Mr. BLANCHETTE. I will be pleased to do that. We have not taken title to the property yet, but we have made an engineering study which is now underway. The purpose, essentially, of the engineering study is to determine that which the prior studies never proved, whether the building will stand up in a stiff wind.

We would hope that that study, which is on the structural integrity of the building, will be completed by the end of June.

Senator ANDREWS. It has stood up for a good many decades, why should it suddenly crumble?

Mr. BLANCHETTE. Many of the floors have now become burgeoning mushroom patches. The roof was allowed to deteriorate, and water has infiltrated the building.

As part of the Bicentennial caper, some work was done in the basement and exposed some of the beams. I am not an engineer, but I know enough of them who have told me that I had better have the structural integrity of that building determined.

I have also talked to enough commercial developers who say that until they can get some assurances that this is a building whose structure is sound, they are not going to spend the first cent looking at whether they can have retail operations there. So we found that it was an essential prerequisite before we could get anything done.

Meanwhile, the Interior Department is repairing the roof. That work will be done. We are in the process of retaining a marketing expert, not a developer, but a marketing expert, who will tell us what the best potential is for commercial development.

We have worked very closely with Amtrak. I met with the Amtrak management people some time ago, and they have future plans for the railroad station part of that terminal.

Unfortunately, we lost the tenderloin in this when we gave the CSX a very prime piece of real estate abutting the station. We are working with them in trying to encourage them to think warmly about a joint venture.

We are working with FAA because Congress told us to consider the possibility of a helicopter pad on or about the complex. We have asked the Architect of the Capitol to join the task force, and he has accepted.

I would be hopeful that we can meet the end of the year deadline to come before the Congress and say, "Here is the package that we recommend for the commercial development of the Union Station," which will have to include returning it or part of it to its God-given destiny, a railroad station. We started to go awry in this project when we frustrated its original intent.

We are trying to develop all the things to make it self-sustaining. That may be a pie-in-the-sky, but that is the objective by which we are managing the project.

Senator ANDREWS. With the number of people you have on board, 5 will get you 10 that you are not going to get that resolved by the end of the year.

Mr. BLANCHETTE. It does seem like the French National Assembly on many days. I am sure there is the prospect for some cacophony. But the Congress did enjoin us to work with all of these people. In fact, we have to work with the Federal Highway Administration because highway funds have to complete the construction of the ill-fated garage over there, and the D.C. Department of Transportation, because they are managing that project.

So we have a number of constituents, but the Congress enumerated the constituents. So we are going to follow those words of Congress.

Senator ANDREWS. When you go back to New Haven, Conn., you are going to be able to reflect on a tour of duty in the Government that touched all bases, and left nothing untouched. Your memoires to your family will be kind of fun to read.

Mr. BLANCHETTE. If you combine that with the Penn Central experience, I think I will go along with you.

Senator ANDREWS. That prepared you for almost anything, even the way the Government operates.

Mr. BLANCHETTE. I also said that if one enjoyed World War II, Penn Central would be a real pleasure to go through again.

ALASKA RAILROAD

Senator ANDREWS. Let's get back to the questions.

A recent GAO report recommended that Congress end the Federal role in the Alaska Railroad. In agreements with this, your budget proposal for fiscal year 1983 contains no funds for the Alaska Railroad. What is your proposition on how the Federal role should be ended, that is, do you think that the State or private role should be emphasized?

Mr. BLANCHETTE. We support the thrust of legislation which has been introduced by Senator Stevens and by Senator Murkowski to transfer the Alaska Railroad to the State. The State seems to be amenable to it. I strongly believe the railroad ought to be transferred to the State of Alaska for the State to determine its ultimate destiny.

Senator ANDREWS. I understand that it made a small profit in fiscal year 1981, and has the potential to become profitable for a long time if certain coal and grain business materializes. Has the contract for hauling export coal on the Alaska Railroad been signed?

Mr. BLANCHETTE. Yes; it has. We have a contract with South Korea. The coal has been shipped. The transloading facilities are very primitive according to the management up there. There is a substantial facility to be constructed and that is going to be a good piece of business.

Senator ANDREWS. Have you any idea what the railroad's profit expectations are in this regard?

Mr. BLANCHETTE. Not over the long term. I don't know what the profit expectations are, but the railroad is making money.

Senator ANDREWS. If legislation is not enacted this year which transfers the railroad out of Federal control, do you anticipate coming back to Congress with a supplemental funding request for its operation?

Mr. BLANCHETTE. I think not. It has a positive cash flow which, as I recall, we forecast to generate positive cash flow on the order of $10 million for fiscal year 1982.

DEFERRAL OF COMMUTER ASSISTANCE FUNDS

Senator ANDREWS. At the Conrail hearing, we discussed your plans for transferring the funds that the Congress appropriated for fiscal year 1982 which are intended to assist in the transfer of Conrail's commuter services to local transit authorities and the Commuter Services Corp.

It is my understanding that you had proposed transferring this money over a 4-year period, and we are expecting a deferral notice from you to that effect. Am I correct in assuming that this is still your intent?

Mr. BLANCHETTE. We sent it over to the Office of Management and Budget. We checked on it yesterday.

Senator ANDREWS. Did you send it by mail?

Mr. BLANCHETTE. The check is in the mail, that is all I can say.

Senator ANDREWS. Is it postal lag?

Mr. BLANCHETTE. Mr. Johanson tells me that OMB has said that it would be down here in the next couple of days.

Senator ANDREWS. We will look for it with interest.

ALLOCATION OF FUNDS TO TRANSIT AUTHORITIES

Will you elaborate on your spending plan and please explain to the subcommittee how you arrived at the amounts you are proposing to allocate to each of the transit authorities?

Perhaps you might want to do that for the record.

Mr. BLANCHETTE. I can tell you right now.

First, on the deferral, we recognize that the deferral is necessary. I am getting an increasing feeling that our original contemplation of the fund for 4 years is not going to bear out, and the $45 million will be spent sooner rather than later.

With respect to the allocation among commuter authorities, I will provide you with the percentage allocations for the record. But it was arrived at by unanimous consent of those authorities. So this was an allocation formula to which they subscribed, and recommended to us.

[The information follows:]

PERCENTAGE ALLOCATIONS TO COMMUTER AUTHORITIES

The allocation formula for distribution of the funds is based on calendar year 1980 data and has two elements: Car-miles operated and revenue-passengers carried. The allocation is as follows:

	Percent
MTA	30.8
CONN DOT	9.9
NJ Transit	37.2
SEPTA	21.8
MD DOT	.3
Total	100.0

EXPENDITURE OF FUNDS

Senator ANDREWS. The understanding we had was that you are going to spread it out. Now you say that you intend to spend it sooner rather than later. Will up-front expenditure of the funds satisfy the local authorities?

Mr. BLANCHETTE. I would not be surprised if it did, since that is what we have done.

Senator ANDREWS. You also seem to be allocating quite a bit less than the local authorities determined they required to cover the cost of the transfer.

Mr. BLANCHETTE. That is right. The purpose of that fund, Mr. Chairman, as you may remember is to cover transition matters, and not day-to-day operating or normal capital requirements that would be there whether or not Conrail operated the service, or Commuter Service Corp., or the commuter authorities themselves.

We met as recently as last week with Mr. Marston, and we are identifying those transition needs. We expect to report further to the Congress after we have made that identification.

OFFICE OF THE ADMINISTRATOR REQUEST

Senator ANDREWS. The Office of the Administrator's request appears to have doubled over last year's appropriation, but I understand that this is partially as a result of shifting policy support from the R. & D. appropriation into your account. What other factors contributed to the shift in the policy support to your office?

Mr. BLANCHETTE. It is a decrease of seven positions. I think it is a total increase of $266,000. We get assessed for the building, we get assessed for light, for heat, and other things which the Office of the Secretary passes out to us, and salary increases and the like.

If you take all those factors out, we are at the same level, taking into account the fact that we transferred policy from research and development, where it did not belong, to the Office of the Administrator, where it does belong.

LOAN DEFAULTS

Senator ANDREWS. You have a supplemental request for $11.9 million to liquidate promissory notes on loan defaults to the Treasury by several railroads. What kind of exposure do we have on the balance of these notes within the next 2 years?

Mr. BLANCHETTE. We have a substantial exposure because the loans, to the extent that they are given out to railroads such as the Milwaukee and the Rock Island, are subject to the vagaries of the reorganization law. Through the Justice Department, we are a claimant in these estates for the Rock Island and the Milwaukee, and we hope that our claims will be diligently prosecuted. But there is always a risk, I can tell you that, Mr. Chairman, because creditors are never paid in full.

There are also some statutory provisions which will decrease our payout, notably with respect to Conrail and with respect to the Delaware & Hudson Railroad.

Senator ANDREWS. Do you have any dollar estimates for that kind of exposure?

Mr. BLANCHETTE. No; I would loathe to give you an estimate. We will press for 100 percent of the dollars, plus accrued interest, and I will continue to say that until the Supreme Court of the United States finds me in error.

STATE INSPECTION PROGRAM

Senator ANDREWS. The Federal Railroad Administration is proposing to eliminate Federal funding of grants-in-aid for the State inspection program in fiscal year 1983. At the same time, you are revising the implementing regulations for this program to expand the jurisdiction of State inspectors.

Do you have any firm commitments from States at this time that they intend to continue the program in the absence of Federal money?

Mr. BLANCHETTE. No; the matter is still being debated before the Congress. The States take the position that this is a doomsday approach. But I do know this, we presently have 94 State inspectors under this program in some 31 States. Prior to the Federal funding, there were 13 States that had their own State programs. Those 13 States now account for 50 of the 94 State inspectors.

I believe that if the funding is not continued, the so-called 13 original States will probably continue the State participation program, which I would like to see them do. We will work with them to expand the scope of their functions; obviously, one prospect is that the Congress will appropriate $2.5 million.

I think that they are going to tell all of us that it is the end of the program. If I were a State agent, I would do the same. But in reality, I think that the program will continue at whatever, if any, level of Federal funding.

Senator ANDREWS. The program is important to assure the safety of the American public. If we knock out the Federal support, and there is the hint that the States may or may not pick up the program on that level, who protects those that need to be protected?

Mr. BLANCHETTE. I think the impact on safety, even if all the 94 inspectors were to go home, would be nil. We are asking for augmentation of our own safety force. We have faced our Office of Safety on that, "Can we do it with our own people, assuming the worst?" I have been assured that we can. We can work these State safety inspectors in, and we have worked them in.

The program is one, frankly, Mr. Chairman, where I am taking the position that it has been a good program, and that it ought to be continued. The decision not to fund it is a budgetary decision, and not a decision on the merits.

SUBMITTED QUESTIONS

Senator ANDREWS. I have some other questions, which I will include in the record, and some other problems for both of you. We also have some questions for the record from Senator Huddleston, Senator Weicker, Senator Byrd, and Senator Chiles on Amtrak.

You have been most cooperative this morning, and we enjoyed your visit.

[The following questions were not asked at the hearing but were submitted for response for the record:]

Questions Submitted to Amtrak

Mr. Andrews: In view of the Administration's proposed funding reduction for Amtrak in FY 1983, do you have any plans to initiate the passenger car program?

Mr. Boyd: Yes, we do. Amtrak's passenger car acquisition programs anticipate equipment requirements that are from 3-5 years in the future. It is important to place orders for new equipment at this time to help Amtrak achieve its financial goals, while at the same time improving the quality of service. Briefly, the equipment program in the FY 83 budget request will generate significant additional revenues and reduce costs to help achieve Amtrak's break-even goal. It will also increase our passenger carrying capacity and help ensure the availability of equipment as our older cars are withdrawn from service.

Mr. Andrews: Please describe for the record the types of passenger car you hope to acquire, where you anticipate using them, and how adaptable they will be to Amtrak-wide application.

Mr. Boyd: The FY 83 new equipment order will provide 70 single level cars including 50 sleeping and 20 sit-down food service cars. The cars will be predominantly assigned to routes on the East Coast to complement the Amfleet II equipment currently being delivered; however, they have the capability to be used throughout the system.

Mr. Andrews: How do you justify additional passenger car acquisitions in view of the ridership that Amtrak has experienced in the recent periods?

Mr. Boyd: Equipment acquisitions are made with the long term outlook in mind. This equipment order will not increase the fleet size over the long term, but will just permit us to maintain our existing fleet size as older cars are retired. Our ridership levels are lower than expected at this time, which reflects the current state of the economy and this trend is shared by all intercity modes of transportation. We feel that this is a short term situation and therefore we must proceed with our equipment acquisition

plans just to maintain our existing level of service.

PASSENGER CAR REPLACEMENT

Mr. Andrews: What is your justification for the replacement of Amtrak passenger cars in view of your public acknowledgement that your fleet is new or recently rebuilt?

Mr. Boyd: Amtrak's passenger car fleet consists of about 1,600 units including over 900 new cars, 500 rebuilt cars and about 200 multiple-unit, turboliner and rail diesel cars. Our equipment replacement program is designed to replace the 500 rebuilt cars. The cars were rebuilt to make them compatible with our all-electric powered fleet and to maintain a consistent level of comfort and reliability. The oldest of these rebuilt units will reach the end of their economic lifespans in the mid 1980's and will begin to be withdrawn from service.

The cars that will replace this older equipment will generate additional revenues, carry more passengers and help Amtrak achieve its break-even goal.

Mr. Andrews: Does Amtrak have an overall master plan for passenger car replacement on a route by route basis over the next few fiscal years?

Mr. Boyd: In FY 83, Amtrak intends to order 70 new single level sleepers and food service cars. These units will be assigned to eastern long distance routes and will be compatible with the new Amfleet II equipment that is currently being delivered. Delivery of these new cars is expected in FY 85. Subsequent equipment orders will be required to replace additional "Heritage" cars in the last half of this decade. Therefore, while specific equipment replacement plans by route have not been developed, Amtrak anticipates an annual requirement for acquiring 40-50 cars per year starting in FY 85.

"HERITAGE FLEET" PASSENGER CAR REPLACEMENT

Mr. Andrews: "Heritage Fleet" passenger car replacement estimates of the expected useful life of the rebuilt "Heritage Fleet" passenger cars has jumped from 10 years to 18 additional years and back down to less than 10 years in FY 1982. How are these changes in expected life justified?

Mr. Boyd: At the time of their rebuilding, and depending upon the age of each car, Amtrak's "Heritage Fleet" cars had projected useful lives of 10-18 years. Our first "Heritage Fleet" cars were rebuilt over three years ago and their remaining useful lives have now decreased to about 7 years.

Mr. Andrews: Although passenger cars generally have a maximum useful life of 40 years, some can be used beyond that. Does Amtrak plan to seek agreements with contracting railroads to use the refurbished "Heritage Fleet" beyond the 40-year period? What plans do you have to replace the "Heritage Fleet" cars?

Mr. Boyd: Amtrak does not plan to seek agreements with contracting railroads to use the refurbished cars beyond the 40-year period. The Association of American Railroads (AAR) rule prohibits the interchange of passenger equipment over 40 years old without special agreement between the railroads. Cars approaching 40 years of age may have hidden defects which could cause unsafe conditions to develop. While Amtrak considers the likelihood of such an occurrence remote on our cars which have been rebuilt and refurbished, possible breakdowns are not unheard of when a car approaches 40 years of age.

When Amtrak began the rebuilding program, we selected the best units from a fleet of about 2,000 older cars, inherited from the operating railroads. The 500 plus "Heritage Fleet" cars are the survivors of a fleet of which 75% have already been retired. The other cars were either too old, worn out, or too costly to be refurbished. The renovation of these cars should enable them to remain in service to the 40-year limit. After 40 years of use, the cars become uneconomical to repair.

In addition, railroads have been reluctant to approve agreements for operating 40-year old cars since they are less reliable than new cars and are harder to repair enroute. Breakdowns of such cars enroute can cause delays that disrupt the movement of all rail traffic, both passenger and freight.

As you know, Amtrak is committed to breaking even on an avoidable cost basis by 1985. Achieving this goal will require improving the productivity of all Amtrak resources, including equipment. Our proposed capital budget includes a proposal for ordering 70 new single level cars. These cars will increase passenger carrying capacity 50% over the "Heritage" cars in the same service as well as generating substantial increase in revenue.

Amtrak projects a 20% return on investment with this new equipment as compared to the "Heritage" equipment currently in service.

REDUCED METROLINER CAR USE

Mr. Andrews: After 10 years service, the Metroliner cars have been withdrawn from the Northeast Corridor. Please detail how many of these cars are in or out of service, why, and what your future plans are regarding Metroliners.

Mr. Boyd: Sixty-one Metroliners were built by the Budd Company in 1967 and 34 were refurbished and upgraded in 1979 for Northeast Corridor high speed operation. The 34 rebuilt Metroliners are now operating in the Harrisburg-Philadelphia-New York service on the Northeast Corridor. The remaining 27 cars cannot be placed in service due to various problems and are being stored and protected to retain their asset value. The 34 rebuilt units have a remaining estimated physical life of up to 15 years. However, the Metroliners are expensive to operate and maintain and could be withdrawn from service before then if a suitable alternative for this equipment becomes available.

Mr. Andrews: What is the difference between the Metroliners estimated useful life when first acquired by Amtrak and their experienced useful life? What is the cause of any difference between the two?

Mr. Boyd: The Metroliners were built in 1967 as part of the Federal government's high speed ground transportation program with the Penn Central Railroad. Amtrak acquired the Metroliners through assigned leases with the maximum lease period extending to 1988. Therefore, the life of the equipment should be at least 20 years.

Amtrak's experience with the Metroliners has been a mixed blessing. When Amtrak assumed train operations on the Northeast Corridor, the Metroliners were the only type of equipment in existence which could provide high speed operations, and were the backbone of NEC sevice. Unfortunately, they were also expensive to maintain and had less than desired reliability. These operating problems stem, in part, from the origins of the Metroliner program. The equipment was essentially a research and development project that incorporated new, and, in many components, unproven technology to determine the potential for high speed rail service. The equipment was very successful in attracting passengers back to the trains in the Northeast. However, as time went on and operating experience was obtained with the units, it became apparent that several aspects of their design needed improvement to enhance reliability and reduce maintenance costs. Amtrak and the Federal Railroad Administration between 1974-1976 modified 4 Metroliner cars with improved design features and tested them extensively in NEC operations to determine if reliability could be improved. This program was successful and became the justification for Amtrak to modify and

refurbish 30 to 57 of the units depending upon adequate funding. Thirty-four units were eventually modified (including the 4 FRA-modified units) and were again installed in NEC high-speed service. The availability of new electric locomotives for corridor service and the need for Amtrak to reduce its costs for leasing multiple-unit (MU) equipment on the Harrisburg line has recently caused Amtrak to reassign the Metroliners to New York-Philadelphia-Harrisburg service. Amtrak estimates that the units should have a remaining useful service life of up to 15 years; however, this equipment remains more expensive to maintain than other types of Amtrak equipment and could be withdrawn from service if a more economical type of equipment becomes available.

FIXED TRAIN SETS

Mr. Andrews: For a period of time you used fixed train sets in your train consists on certain routes in upper New York State. What are your future plans regarding this type of equipment? Can it be used in other parts of the country?

Mr. Boyd: Amtrak continues to use Turbotrain sets in our "Empire Service" in New York State and plans to do so for the foreseeable future. This equipment is capable both of achieving the 110 mph track speeds between New York City and Albany and operating into Grand Central Station in New York City using third rail electric power. This equipment could be assigned to other services in Amtrak's system (though we have no plans to do so at this time); however, a specialized maintenance facility like the one at Albany/Rensselaer would be required.

COMPUTER RESERVATIONS

Mr. Andrews: Amtrak experienced some serious start-up problems in switching from an old to a new computer reservations system. What progress have you made in correcting these problems? Please summarize what types of problems still exist and when you believe they will be corrected.

Mr. Boyd: Amtrak's new reservations system, ARROW, was placed into service on November 1, 1981. Unfortunately, during the first two months of operating the new system, we experienced numerous difficulties--some of our customers were unable to reach our reservations agents during the high volume travel periods of Thanksgiving and Christmas. Others found, once they were on board, their reservations had been cancelled in error or had been double-sold. Certainly, for a transportation company, these were serious problems. In many instances our management and staff quickly responded to the situation and successfully reaccommodated our passengers. On other occasions, particularly when the system was simply not available, we lost customers because we could not respond to the peak call demand using manual devices. We knew something had to be done, and done quickly.

In early December, I appointed a special task force of Amtrak's senior management to investigate all aspects of the system transition and to effect all necessary remedial action to improve system performance. This management team, in conjunction with IBM and Honeywell support personnel, ATT communications corporate and field staffs, and highly qualified private consultants, identified several hardware (equipment), software (programming), and management (planning and control) problems. We immediately began a program of corrective action, and by January we began to see very positive signs of improvement.

Today, I am happy to report, there are no major remaining problems, and the system is performing satisfactorily. We are, however, enagaged in a program to fine tune the system and to correct minor programming problems. Upon the completion of this program, we will move ahead into enhancement and expansion programs that will allow ARROW to become one of the best reservations systems in the country.

BULLETT TRAINS

Mr. Andrews: Have any proposals been offered by the Administration regarding high speed train development in view of the November 1981 report by the Joint Economic Committee of the House and Senate on high speed passenger train needs?

Mr. Boyd: We are not aware of any formal proposals although in testimony before the House Appropriations Committee earlier this year, we understand Secretary Lewis did indicate support for privately financing high speed trains in the U.S.

"SUNSET" COMMUTER TRAINS

Mr. Andrews: Please provide for the record a list of the routes on which Amtrak currently runs Section

403(d) "Sunset" commuter trains and the number and frequency of these trains.

How much money could be saved if these trains were terminated?

Mr. Boyd: The following is the list of the "Sunset" commuter trains and numbers.

Route	Train Numbers
New York City-Harrisburg (Valley Forge)	42, 43
Philadelphia-Harrisburg (600 series)	600, 601, 602 604, 615, 617
New York City-Philadelphia (Clockers)	200, 219, 221, 223 225, 237, 252, 254
Detroit-Jackson (Michigan Executive)	373, 374
Washington-Martinsburg (Blue Ridge)	701, 702
Chicago-Valparaiso (Calumet, Indiana Connection)	321, 322, 323, 324

These trains operate Monday through Friday. (The weekend trains, numbers 615, 221 and 225, are not included as commuter.) Currently, the Detroit-Jackson service and weekday operation of train 615 are partially funded by the States of Michigan and Pennsylvania, respectively, under Section 403(b) provisions.

If these "Sunset" commuter trains were discontinued, $9 to $10 million in long-term avoidable operating loss would be saved.

ICC DECISION

Mr. Andrews: The ICC has made an interim decision concerning the division of costs between commuter, freight, and intercity passenger operations. Amtrak has made preliminary estimates that this decision will result in $20 million in additional costs to Amtrak during FY 1983. When is a final ICC decision expected? Are your estimates of cost still in the $20 million range?

Mr. Boyd: We are, at this time, unable to predict when the ICC will render a final decision. Without knowing the details of the final decision we are unable to make a more precise forecast

of the costs being transferred from the freight and commuter services to the intercity passenger service. However, based upon the most probable outcome, the $20 million is still a valid estimate of the impact of the ICC decision.

REAL ESTATE REVENUE

Mr. Andrews: Amtrak is currently undertaking an inventory of real estate holdings to assess what sort of revenue may be derived from these holdings. What is the status of this assessment, and how much money is it estimated can be derived from Amtrak's real estate?

Mr. Boyd: Amtrak is in the process of establishing a specific inventory of its real estate holdings. The primary reason for this is to assist in our efforts to increase the revenue which we derive from these holdings. In fiscal year 1981, we had real estate revenue of approximately $16.5 million. Our estimate for fiscal year 1982 is $17.9 million.

We are currently preparing an approach to the development of our real estate holdings, particularly the major projects like 30th Street Station in Philadelphia, which will allow significant development and continuing long term revenue for Amtrak. It is not yet possible to attach a particular dollar amount to this effort, but we expect it to be quite significant in later years.

LEASED EQUIPMENT

Mr. Andrews: What percent of Amtrak's rolling stock is currently being leased? Please provide detail for the record including number of cars and locomotives and dollar value, number of years of commitment, and total dollar value of this commitment. Indicate which of this leased equipment is currently in storage and how long that will continue.

Mr. Boyd: Currently 50% of our diesel electric locomotives, 31% of our turbo equipment and 64% of our electric propulsion is covered by long term lease obligations. In addition, a small number of electric multiple-unit commuter cars is short-term leased from New Jersey.

PROGRAM DETAILS
($ Millions)

Number	Equipment	Current Obligation	Term	Original Obligation
25	E-60 Locomotives	$ 14.2	15 Yrs.	$ 19.6
28	SDP-40 Locomotives	8.4	15 Yrs.	13.2
23	P30-CH Locomotives	9.6	15 Yrs.	13.8
4	Turboliner Sets	9.7	15 Yrs.	14.1
81	F-40 Locomotives	15.1	15 Yrs.	27.4
49	Metroliners	9.0	13 Yrs.	14.8
12	Metroliners	1.2	10 Yrs.	4.1

As of April 1, 1982 the following equipment was stored:

14 P30-CH Locomotives
23 SDP-40 Locomotives
8 E-60CP Locomotives
27 Metroliners

DEPRECIATION TAX BENEFITS

Mr. Andrews: In accordance with the provisions of the Economic Recovery Tax Act of 1981, Amtrak sold the rights to tax benefits associated with qualified assets. What was the dollar value of the depreciation benefits sold and how much did Amtrak receive from these sales?

Are you planning any additional sales?

Mr. Boyd: In accordance with the Economic Recovery Tax Act of 1981, Amtrak sold the tax benefits associated with $214.6 million of qualified assets for which Amtrak received $53.7 million. However, because of the need to protect the FRA's security interest in the assets, the funds were deposited to a trust account to be paid to Amtrak plus interest over the 22 year term of the agreement.

Amtrak has entered into similar agreements for calendar year 1982. These agreements cover all qualified rolling stock and track improvements to be placed in service in 1982.

FOOD AND BEVERAGE SERVICE

Mr. Andrews: What options exist for reducing or eliminating your on-board food and beverage services?

Mr. Boyd: Because we see a direct, positive relationship between the availability and quality of on-board food service and ridership and revenue, I feel it would be a serious mistake to reduce or eliminate the service. Instead, we are concentrating our efforts on

a. improving management controls on costs and operations;

b. achieving higher efficiency and productivity;

c. improving the quality of the food product and service without increasing costs;

d. increasing food revenues through improved on-board sales techniques.

We have already improved our revenue to cost ratio from 35 percent to 50 percent in March, 1982, and we are receiving fewer customer and crew complaints and more commendations.

We will continue to explore ways to reduce our costs without negatively affecting ridership and revenues.

Mr. Andrews: Has an analysis been done to determine the cost of contracting these services out? (Please provide a copy if such a study has been completed.)

Mr. Boyd: We are currently, on a limited basis, dealing with private contractors supplying pre-packaged food to our trains in the Northeast Corridor. Although their labor rates are less than ours, we have found this type of operation to be very expensive due to the handling charges and profit added by the vendor. We have projected that we can perform these functions ourselves in a more cost-effective manner and have initiated actions to terminate the contract for Boston.

Mr. Andrews: If labor severence payments were not a factor, would costs be lower on an ongoing basis to contract these services out rather than use Amtrak employees?

Mr. Boyd: Last year we discussed this with several vendors. One vendor prepared an analysis of possible savings to Amtrak by contracting out our Northeast Corridor commissary operation. The savings were based on their lower labor rates, which at that time were about one-half of ours.

Hypothetically, if we could contract out and reduce the labor cost by one half, the food service monthly deficit could be reduced to $844,500 a month. However, this does not take into consideration the profit margin that any vendor would expect to make by operating the service for us. The food service operation would have to be profitable to the vendor--either through revenues or through Amtrak support--before any vendor would be interested.

In the Northeast Corridor we have found that it is less expensive for us to package and supply some food items ourselves rather than pay the cost-plus-profit of similar items from a vendor.

The elimination of on-board food and beverage service would not trigger C-2 benefits (or severence pay), as it would not be considered a "transaction" within the meaning of Appendix C-2.

Mr. Andrews: Please provide the costs of your in-house food and beverage service and the costs of severing these employees.

Mr. Boyd: We estimate that our food and beverage service will cost approximately $64 million in FY 82.

Since elimination of on-board food and beverage service would not trigger C-2 benefits there would be no significant cost of severing these employees.

Mr. Chiles: Mr. Boyd, I noticed in your budget justification material that AMTRAK's capital requirements for FY 83 exceeded $230 million. In spite of this, AMTRAK felt constrained to request only $134 million, and the administration has only recommended $16 million to be provided to AMTRAK for capital funding. I understand that the $16 million is required to cover all of the mandatory capital items required by federal safety and handicapped regulations. To what extent do you believe that it is short-sighted to limit the investment in the AMTRAK capital plant? $16 million is only 7% of the amount identified by AMTRAK as their requirements for FY 83.

Mr. Boyd: I believe it is very shortsighted. Capital investment, in a capital-intensive industry, determines an organization's future. Each capital investment opportunity that is foregone has a price attached. The price may be increased operating costs, passenger dissatisfaction, or lost revenues - in each case it is a lost opportunity for improvement.

The initial FY 82 capital budget consisted of only $100 million in new funding, all of which was required to cover irreducible commitments from

prior periods. The $16 million proposed by the Administration in FY 83 will not provide for new capital investment, either. The $134 million requested by AMTRAK, out of identified requirements of over $230 million, would provide a minimum level of capital investment and is needed for an improved future.

Mr. Chiles: Mr. Boyd, I noticed that you are proposing to reduce funding for on-board services by almost 14% in FY 83. I understand that you are taking this action because current law (P.L. 97-35) directs Amtrak to operate its on-board food and passenger services on a break-even basis during FY 83 or to discontinue the service. How effective do you believe you will be in meeting this legislative directive? Do you believe that you can introduce economies and various innovative techniques to maintain service levels or will service levels deteriorate resulting in complaints and declines in ridership?

Mr. Boyd: We have already instituted major changes in our food service which have resulted in significant reductions in the deficit associated with food service operations over FY 81 deficit figures. Recent statistics indicate that the deficit was reduced by 57% in April and 51% in March 1982 compared to the same months in 1981. We feel confident, therefore, that the 50% deficit reduction mandated for FY 82 will be achieved. We are continuously analyzing our food service operations to further reduce costs and increase revenues and we feel that the deficit can be reduced even further without adversely impacting the level of service provided to our passengers.

We intend to meet the FY 83 target as well, although at this point I am unable to tell you exactly how we will do this. The options we are considering include selling food at trainside, vending machines, food cart service, and some reasonable allocation to the food service account of transportation revenues attributable to the availability of that food service. Except for buses, every form of transportation which carries people through normal meal periods has a provision for food within its transportation revenues. I have previously indicated in testimony before the House Transportation Appropriations Subcommittee that food service is an integral and indispensable element of our overall service and should not be treated as an independent profit center. We believe that without the benefit of food and beverage service on trains, a substantial reduction in total revenues would result.

Mr. Chiles: At the outset of fiscal year 1982 you projected a 7% increase in passengers as well as an increase in revenues. In view of recent declines in ridership in the last few months, do you anticipate revising your ridership projections? How much effect will the decline in ridership have on your ability to meet the congressionally mandated

revenue-expense ratio of 50% in fiscal year 1982?

Mr. Boyd: Because of the impact of the economic slowdown we have had to revise our ridership and revenue estimates and now forecast ridership approximating the FY 81 level. Although it will be very difficult we still expect to achieve the mandated revenue to expense ratio through rigorous cost control.

Mr. Chiles: Do you still expect to raise $690 million in revenues for FY 1983 in view of this declining ridership?

Mr. Boyd: Our estimate assumes that the economy will turn up in time to benefit FY 83 operations. Should this not occur we would have great difficulty in achieving $690 million in revenues.

Mr. Chiles: Mr. Boyd, as you know, last year when the Congress directed Amtrak to continue the Cardinal, we also directed that Amtrak explore ways to improve the Cardinal so it would meet the congressional criteria. We have received your April 1 report entitled, "Amtrak Efforts to Improve the Cardinal." I noticed in your report a proposal to acquire and upgrade track between Cincinnati and Indianapolis. I understand that if this were done that the Cardinal would meet the ridership criteria. The upgrading of this track, however, is estimated to cost $25 million. I wonder if I could hear from both Mr. Boyd and you, Mr. Blanchette, as to whether or not you believe that an investment of $25 million is worthwhile with regard to the Cardinal?

Mr. Boyd: There are several reasons for acquiring and upgrading the track between Indianapolis and Cincinnati. First, as I mentioned earlier, the acquisition and rehabilitation of this segment would complete the development of the Chicago-Cincinnati corridor. The Chicago to Cincinnati corridor, which is 303 miles long, passes through Indianapolis and was ranked as the second most promising corridor of the 21 studied in the joint Amtrak/Department of Transportation Emerging Corridors Report published in April 1981. The route between Indianapolis and Chicago, 188 miles of predominately single track, was substantially upgraded in 1979-1980 for Amtrak's Hoosier State, which provides daily round-trip service. Most of this track is suitable for 79-mph operations. The investment of $25 million for track improvements on the Indianapolis-Cincinnati segment would enable 79-mph operation on the lower leg of the corridor.

As I mentioned in response to Senator Byrd, the base projection for the Chicago-Cincinnati corridor shows the corridor achieving in FY 80 dollars a revenue-to-cost ratio of 75% and an avoidable loss per passenger mile of 1.1¢. A 25% increase in ridership above the base shows the corridor generating an avoidable loss per passenger mile of .2¢ (or essentially breakeven) and a revenue-to-cost ratio of 85%. The base forecast projects the corridor attaining 98,300,000 annual passenger miles in FY 85. These statistical summaries are based on three frequencies per day on the route.

The only line suitable for development of a high-speed corridor between Indianapolis and Cincinnati is owned by Conrail. Conrail has filed an application to abandon a segment of the Indianapolis-Cincinnati track between Shelbyville and a point near Lawrenceburg Junction. Furthermore, the Interstate Commerce Commission has determined that the net liquidation value for this segment of track is $4.4 million and Conrail has established an $8.4 million value for the entire Indianpolis-Cincinnati line.

Abandonment of this track by Conrail will eliminate service to an Indianapolis shippers group located in the Shelbyville, Indiana area. The group has previously offered Conrail $50,000 to purchase this segment of track and has advised that it would not be able to purchase it for $4.4 million, the net liquidation value. The shippers group also indicated that it would welcome continued service by Conrail, and in the alternative, Conrail has advised that it would continue to provide the requested freight service as long as the track was owned by Amtrak. Conrail has advised that it could reactivate through freight traffic on this rehabilitated track and that it could expedite freight service to these industries and expand its share of various regional freight markets due to the improved level of operation. Conrail and Amtrak would share the cost to maintain this track, and its preservation would encourage future industrial development on this line by providing continuity of rail sevice.

In addition to enabling the development of the Chicago-Cincinnati passenger corridor and preserving freight service for local shippers, acquiring and upgrading this line by Amtrak would provide a suitable alternative route for the Cardinal which could reduce the train's running time and improve its performance. If the Cardinal were rerouted through Indianapolis along the present route of the Hoosier State, it would serve twice the population it currently serves in Indiana. Additionally, Amtrak has conservatively estimated that it would attain 153 passenger miles per train mile, exceeding the minimum Congressionally-mandated criterion.

MR. CHILES: AMTRAK'S TERMINALS ARE IN THE CENTER OF CITIES AND ARE UNDER-UTILIZED DUE TO THE DECLINE IN PASSENGERS AND TRAINS. THE UNITED PARCEL SERVICE, ON THE OTHER HAND, IS A BOOMING BUSINESS. HOWEVER, MOST OF UPS' TERMINALS ARE LOCATED ON THE FRINGE OF CITIES, FAR AWAY FROM THE RESIDENTS OF CENTRAL CITIES.

1. WOULD IT BE POSSIBLE TO ARRANGE FOR AMTRAK'S UNDER-UTILIZED FACILITIES TO BECOME A COLLECTION POINT FOR INNER-CITY RESIDENTS AND COMMUTERS TO LEAVE PACKAGES FOR UPS?

2. How much would UPS have to pay Amtrak to make this a viable service to downtown persons?

Mr. Boyd: Amtrak discussed this subject with the office of vice president of customer service, UPS Headquarters, Greenwich, CT.

Amtrak was advised that UPS would not enter into an agreement whereby inner-city residents or commuters could leave packages for UPS pick-up at Amtrak terminals. The business reason given was that the UPS pick-up and delivery system is based on UPS' total control of a package from time of receipt from the originating shipper (customer) to time of delivery to the shipment addressee. Therefore, Amtrak's proposal for such an arrangement would be in direct violation of UPS' package control operating policy.

Philadelphia Inquirer
4/22/1982

Amtrak tax break draws support

By Tom Belden
Inquirer Staff Writer

WASHINGTON — State and local governments should be willing to help maintain rail passenger service nationwide by accepting the loss of millions of dollars a year in taxes resulting from exemptions granted to Amtrak by Congress, a key senator who oversees transportation spending said yesterday.

The City of Philadelphia is among the local governments hit hardest by the exemptions, with annual losses in real-estate tax revenues expected to be about $706,000.

The exemptions, granted by Congress last year in the midst of efforts to trim Amtrak's annual subsidy from the federal government, will save the National Railroad Passenger Corp. — Amtrak's formal name — about $6.5 million in the fiscal year ending Sept. 30.

Sen. Mark Andrews (R., N.D.), chairman of the Senate Appropriations Committee's transportation subcommittee, indicated yesterday that he would support continuing the exemption. He discussed the exemption during a hearing on Amtrak's funding needs for the next fiscal year. Keeping the regulation in place would save Amtrak $7 million in fiscal 1983.

Amtrak president Alan S. Boyd acknowledged that many local-government officials were upset by the loss of tax revenue resulting from the exemption, but he said the Amtrak was simply following the will of Congress.

Andrews said that he wanted to know more about how individual states, counties or cities were affected by the law, but that local officials should recognize that their sacrifice was helping to maintain passenger service nationwide.

"I would think people would realize this is a way . . . that taxes should be paid as a way of keeping service," Andrews said.

The impact of the law is especially great on Philadelphia because Amtrak is a major property owner here. Among its holdings are 30th Street Station and the Northeast Corridor railroad tracks, which run virtually the entire north-to-south length of the city.

City Revenue Commissioner Eugene L. Cliett Jr. has said that Amtrak's property has an assessed value of $10.5 million and a market value of more than $30 million.

Testifying on Amtrak's total subsidy needs, the subject that occupied most of the hearing, Boyd and Robert Blanchette, the Reagan administration's chief spokesman on railroads, essentially agreed that a national passenger-train system should be maintained in the next fiscal year.

Boyd and Blanchette, administrator of the Federal Railroad Administration, disagreed on how large a budget the rail system would need for capital spending, most of which would be spent to buy new passenger cars.

Amtrak wants Congress to approve a subsidy of $788 million, a spending level authorized last year but not yet appropriated. The Reagan administration believes Amtrak can make do with $600 million by spending less for new equipment and by cutting other costs.

Boyd said Amtrak was asking Congress for a total of $134 million for capital spending, but Blanchette said the administration believed that the rail system could get by on a "spartan, but manageable" budget of $20 million.

Because Amtrak is nearing the end of a major program in which it has replaced or overhauled all of its fleet of cars, the administration does not see the need for a large capital budget in 1983 and 1984, Blanchette said.

In a written statement given to the subcommittee, Boyd said Amtrak could still run its 23,000-mile national system without any capital budget at all, but that fluctuations in capital spending in recent years had made it "impossible to provide a stable environment for planning future projects. . . ."

"I can tell you . . . that without a capital budget again this year we will find ourselves in a downward spiral that can only be corrected by a massive infusion of capital dollars in the future," Boyd said. "I do not believe that Congress would support a policy that requires Amtrak simply to defer capital projects in the hope that a future Congress would be more sympathetic."

Harrisburg, Pa., News
4/9/1982

Amtrak held back state, local taxes

WASHINGTON (AP) — One reason Amtrak was able to reduce spending and still keep running nationwide last winter was a little-known provision by which Congress allowed the railroad to hold back nearly $14 million in state and local taxes.

Now the cities and states are pushing to have the taxes reinstated.

There is talk of possible court action, although most local officials acknowledge Congress has wide authority on such matters. More likely is a major effort to convince Congress to reinstate the taxes.

Congress will be taking another look at the matter anyway since the tax provision is a one-year item and must be renewed or made permanent to continue into the fiscal year that begins in October.

Amtrak President Alan S. Boyd told a congressional hearing recently that the railroad is counting on keeping the tax break in its fiscal 1983 budget.

He noted the present provision "merely defers our liability." If it is not made permanent, he said, Amtrak may not only have to pay back taxes but could be subject to $3.8 million in penalties and interest.

The maneuver granting the exemption barely was noticed during negotiation on Amtrak's final appropriations bill last December. Many city officials found out about it only when an Amtrak letter informed them in January that the tax money was being withheld.

Fort Wayne, IN, News Sentinel
3/26/1982

Amtrak raises hope for saving Fort Wayne run

By CHARLIE GREEN
Of The News-Sentinel

Amtrak officials have indicated they are interested in keeping passenger trains running through Fort Wayne even if Conrail downgrades its freight line through the city.

In a letter received Thursday by U.S. Rep. Dan Coats, Amtrak said it would rather run its Broadway Limited line through Fort Wayne than reroute it through other cities.

"We've won half the battle," said Coats, a Fort Wayne Republican.

However, the key consideration remains how much it would cost to keep passenger trains operating over a downgraded freight line.

Conrail this week estimated it would cost $68 million in one-time expenses to retain passenger service over the line. Annual maintenance costs would near $9 million, Conrail said.

Coats said he found the estimates "hard to swallow."

"My concern is that Conrail will attempt to give the maximum cost because they want out of there," Coats said. He said Amtrak officials also questioned Conrail's estimates.

The concern over Amtrak service stems from a Conrail request before the Federal Railroad Administration to downgrade about 200 miles of freight line running between Valparaiso and the Mansfield, O., area.

Citing the cost of maintaining the freight line, Conrail wants to tear up one of two tracks on the line and remove automatic signaling equipment. Freight traffic would be diverted to a more northern route running through Toledo and Chicago.

The Conrail plan, if carried out, would jeopardize Amtrak service in Fort Wayne because Amtrak runs its Broadway Limited train over the Conrail freight line. A downgrading of the line could make it unsuitable for passenger trains, unless the line was maintained at high-speed standards. Two-way signaling equipment would also have to be installed.

Coats said today that "the real hurdle is the cost and determining what the cost is."

Chicago Sun-Times
4/9/1982

Cities, states seek end to Amtrak tax holiday

, WASHINGTON (AP)—One reason Amtrak was able to reduce spending and still keep running nationwide last winter was a little-known provision by which Congress allowed the railroad to hold back nearly $14 million in state and local taxes.

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The maneuver granting the exemption barely was noticed during negotiation on Amtrak's final appropriations bill last December. Many city officials found out about it only when an Amtrak letter informed them in January that the tax money was being withheld.

REAL ESTATE TAXES, much of them in the Northeast, would have amounted to about $6.5 million this year, taxes on equipment more than $4.5 million and sales and miscellaneous taxes an additional $2.5 million, Amtrak officials said.

But the appropriations bill approved by a House-Senate conference committee included a clause that says no Amtrak money "shall be available" for payment of any local or state taxes. The only exception, approved after intense lobbying from Indiana officials, are taxes paid on Amtrak's maintenance facility at Beech Grove, Ind.

Chicago Tribune
4/13/82

Amtrak bypassing its state, local taxes

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The provision that allowed Amtrak to escape local tax payments, at least for a year, was a product of the give-and-take that marks much of the activity on Capitol Hill.

"IT WAS SOMETHING that kind of hit us from left field," said Len Simon, a transportation specialist for the National Conference of Mayors. "It affects just about every community that has significant Amtrak facilities. We're deeply concerned."

Mayor Vincent Cianci of Providence, R.I., was more blunt. Amtrak is "supposed to be run in a businesslike manner" and like other businesses it should pay its taxes, he complained.

Amtrak, the national passenger railroad, had been paying taxes in every state through which its trains run.

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THE APPROPRIATIONS bill approved by a House-Senate conference committee included a clause that says no Amtrak money "shall be available" for payment of any local or state taxes. The only exception, approved after intense lobbying from Indiana officials, are taxes paid on Amtrak's maintenance facility at Beech Grove, Ind.

The clause means big losses to many cities and counties, some of which are strapped for cash. For example, Philadelphia is losing $706,000 this year, New York City $1.2 million and Providence, R.I., $533,000.

The idea of exempting Amtrak from local taxes is not exactly new. Many congressional supporters of Amtrak long have voiced opposition to the heavily subsidized railroad paying local and state taxes. They argue the local communities benefit from Amtrak and should forgo the taxes.

THAT ARGUMENT does not placate Ellis Saull, chief assistant solicitor in Philadelphia. "Even though we collect millions in taxes, to lose that much from any one source is a problem," he said in a telephone interview. "It has to be made up from somewhere."

Amtrak had its own severe budget crunch last year with the Reagan administration pushing hard to cut its subsidies. Finally, a budget of $735 million was agreed to, well below what Amtrak originally had sought.

Adding to the railroad's problem was the expected demand by Sen. Robert Byrd (D., W.Va.), the Senate's minority leader, to assure continued operation of the Cardinal, a money-losing train that runs through Byrd's homestate.

THE TRAIN COSTS $5.5 million to $8 million a year to run, depending on frequency. While some congressional supporters of the Amtrak tax provision say the two issues are not related, other sources close to the issue say keeping the Cardinal alive and the potential Amtrak savings in taxes were intertwined.

"They (members of the House-Senate conference committee) recognized (tax relief) as a way of funding a service without having money appropriated," said one lobbyist who asked not to be identified by name.

Ironically, Amtrak did not push hard for the tax relief, asking only that it be freed from taxes on future capital improvements on its facilities. The reason the railroad didn't push, one Amtrak official acknowledges, is that the states, counties and cities through which Amtrak operates have been among the railroad's strongest supporters on Capitol Hill.

Neither did the Washington representatives of local governments push to fight the exemption. "The cities had so much on their agenda when this thing went through, the Amtrak issue was just a side show," one such lobbyist said.

Washington Post
4/12/82

Cities, States Take Offense At Amtrak Tax Exemption

By H. Joseph Hebert
Associated Press

One reason Amtrak was able to reduce spending and still keep running nationwide last winter was a little-known provision by which Congress allowed the railroad to hold back nearly $14 million in state and local taxes.

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The provision that allowed Amtrak to escape local tax payments, at least for a year, was a product of the give-and-take—what one lobbyist calls the "backroom compromises"—that mark much of the activity on Capitol Hill.

"It was something that kind of hit us from left field," said Len Simon, a transportation specialist for the National Conference of Mayors. "It affects just about every community that has significant Amtrak facilities. We're deeply concerned."

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Adding to the railroad's problem was the expected demand by Democratic Sen. Robert C. Byrd, the Senate's minority leader, to assure continued operation of the Cardinal, a money-losing train that runs through Byrd's homestate of West Virginia.

The train costs $5.5 million to $8 million a year to run, depending on frequency. While some congressional supporters of the Amtrak tax provision say the two issues are not related, other sources close to the issue say keeping the Cardinal alive and the potential Amtrak savings in taxes were intertwined.

Members of the House-Senate conference committee "recognized that [tax relief] as a way of funding a service without having money appropriated," said one lobbyist, who asked not to be identified.

Ironically, Amtrak did not push hard for the tax relief, asking only that it be freed from taxes on future capital improvements on its facilities. The reason the railroad didn't push, acknowledges one Amtrak official, is that the states, counties and cities through which Amtrak operates have been among the railroad's strongest supporters on Capitol Hill.

But neither did the Washington representatives of local governments push to fight the exemption. "The cities had so much on their agenda when this thing went through, the Amtrak issue was just a side show," recalls one urban lobbyist.

BALTIMORE NEWS-AMERICAN
March 5, 1982

City faces Amtrak tax loss of $300,030

By Maury Macht
News American Staff

Baltimore may lose $300,030 in tax revenues from Amtrak because of a new federal law exempting the passenger rail service from all state and local taxes this year, city tax collectors have learned.

City collectors, who are preparing tax bills, said they recently were notified by the state Department of Assessments and Taxation about the revenue loss, but they still don't know the full impact on Baltimore.

"We're sending a letter back to them (state assessors) asking for an attorney general's opinion telling us that Amtrak is forbidden from paying," said Ottavio Grande, a city tax collector.

Amtrak, which owns about 150 parcels of land in the city, including Pennsylvania Station, is excused from paying $140,660 on the land, and $159,370 on tracks, buildings and other holdings, according to William Boone, the state's assessor for public utilities and railroads.

Amtrak owns property in the city, as well as in Anne Arundel, Harford and Baltimore counties, and the total loss in revenue for the region amounts to $613,050, Boone said.

That projected loss includes: $122,510 in Baltimore County; $116,560 in Harford County; and $73,950 in Anne Arundel County. The state's revenue loss is $54,150, Boone said.

George Piendak, the city's budget chief, said Thursday he'll ask the city solicitor's office for an opinion on the new law. "If there is any way to pursue legal action, we will," he said.

Piendak added that city officials likely will testify in Washington when Congress considers extending the tax break for another year. Hearings in the House Appropriations Committee's transportation subcommittee begin March 29.

Amtrak officials say they aren't exempted from the taxes but are "prohibited" by law from paying them.

"It's not an Amtrak anti-Baltimore issue," said Debbie Marciniak, spokesman for the railroad. "It's a law passed by Congress that states Amtrak will not pay taxes."

The new law went into effect when the budget appropriation for the railroad was enacted in late December. But many localities are "just now realizing what impact it will have on them," Marciniak said.

According to staff on the transportation subcommittee, the one-year exemption was added to the law to help the national passenger railway maintain its services, despite administration pressure to cut costs. The federal government funds half of the railroad's operating budget, according to Amtrak officials.

"It seemed questionable," a committee staffer said, "whether Congress should appropriate federal taxpayer dollars (to run Amtrak) so that Amtrak could pass taxpayer dollars back to the communities it was serving. The committee felt that if those communities wanted continued service, they should pull in their belt a little bit."

The plan is expected to cost states and local governments $14 million this year.

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Fort Wayne, Ind.
Journal-Gazette
2/19/82

Time to speak out

It turns out that the rumors were true. Amtrak is considering rerouting the Capitol Limited — formerly the Broadway Limited — away from Fort Wayne.

The immediate problem is a plan by Conrail, the national freight rail system, to downgrade the lines through Fort Wayne also used by Amtrak. In a cost-cutting move, Conrail wants to close one of the two lines now in use, and reduce speed limits and signal operations on the other.

This news comes just as the Reagan administration has asked Congress to reduce Amtrak's federal subsidy further.

The budget cuts alone may force Amtrak to consider shutting down the Capitol Limited and other lines outside the Eastern-seaboard corridor. Coupled with Conrail's track-downgrading plan, the proposed Amtrak budget cuts could spell disaster for Fort Wayne's only passenger-train line.

Fourth District Rep. Dan Coats, at least, is not going to let the Capitol Limited go down without a fight. He has joined forces with a powerful ally from across the aisle, Indiana's 1st District Rep. Adam Benjamin, who heads the House transportation appropriations subcommittee. Coats and Benjamin are working with Conrail and Amtrak officials to try to find an alternative to cutting off Fort Wayne passenger service. State and local officials and private citizens ought to be adding their voices to the congressmen's expressions of concern.

Slicing away at the nation's passenger-train system is a penny-wise, pound-foolish exercise. But if those who will be hurt by such cutbacks remain silent, it's hardly likely that the administration, Congress and railroad officials will spare endangered lines on their own. If Fort Wayne doesn't battle to save its link with the national system, who will?

Philadelphia, PA
News
2/27/82

Amtrak Derails City on Tax

By CAROLYN ACKER

Under a recently passed federal law, Amtrak will stop paying real estate taxes on 30th Street Station and other properties it owns in Philadelphia, at a cost to the city $706,400 this year.

The law, which established Amtrak's current funding level, prohibits the national passenger railroad from paying state or local taxes and affects perhaps as many as 1,500 communities nationwide, according to Amtrak's interpretation.

The single exception written into the law is the Indianapolis suburb of Beech Grove, Ind., where the railroad maintains its major national maintenance facility for rebuilding railcars.

"The law has no flexibility in it," said John Jacobsen, Amtrak's director of external communications, in Washington, D.C. "We are not paying taxes because we are prohibited from paying taxes."

CITY REVENUE Commissioner Eugene L. Cliett Jr. said he had not learned of the legislation until Wednesday, near the deadline for Amtrak, and all Philadelphia property owners, to pay their 1982 taxes and still take advantage of a discount.

"They called and told us they wouldn't be taking advantage of the discount and they wouldn't be paying the taxes," said Cliett.

Amtrak owns property in Philadelphia assessed at approximately $10.5 million, including 30th Street Station at 30th and Market streets, which accounts for $5.5 million of that figure.

Cliett placed the 1982 loss of Amtrak tax revenues to the city and the School District at $706,400.

CHIEF ASSISTANT City Solicitor Ellis M. Saull said he would research the legality of the federal law — the U.S. Department of Transportation Appropriations Act of 1981, adopted last December — specifically to determine if it discriminates against Philadelphia and other cities and states in favor of the small Indiana suburb.

Beech Grove was exempted from the law because the tax revenues collected from Amtrak there account for more than 15 percent of that community's tax base — considerably more than the railroad contributes to the tax receipts anywhere else, Jacobsen said.

Phoenix (Az.) Gazette
2/12/1982

Some delicious news from Amtrak

So much of the news about Amtrak is bad, most of it concerning deficits that must be supported by taxpayers, that it's refreshing to read something heartening. The good news is that the service's dining cars will resume serving freshly cooked breakfasts.

In the interest of economy, cooked meals were abandoned some time ago in favor of airline-type service. Certainly this is more conducive to appetite suppression than gracious dining, especially at breakfast.

Amtrak's new vice president for passenger services, Eugene Eden, put it very well: "I think there's something about waking up on a train to the smell of freshly cooked bacon and sausage." Amen.

Apparently the ready-made breakfasts weren't the only problems Eden found aboard the diners. Now he says he's trying to get the smile back on the faces of serving personnel, and he's going to bring back the tablecloths, glass salt and pepper shakers, and stainless steel water and sugar pitchers. All these were replaced with substitutes found in fast-food joints.

Nothing will ever replace the magic of the dining cars of yesteryear, but a decent breakfast — served with a smile — will make the rigors of travel more bearable.

Washington Post
3/6/1982

Amtrak Exemptions

Metropolitan Baltimore may lose about $613,000 in tax revenues from Amtrak because of a new federal law exempting the passenger rail service from state and local taxes, it was reported yesterday.

The News American said city tax collectors have been notified of the loss by the state Department of Assessments and Taxation, but still don't know the impact on the city.

The biggest portion of the area's projected cutback in Amtrak tax revenues would come from the City of Baltimore, which would lose more than $300,000. Much of the rest of the loss would be divided among the Counties of Baltimore, Harford and Anne Arundel.

The state government's revenue loss would be only $54,150, said William Boone, the state's assessor for public utilities and railroads.

Jasper (Ala.) Mountain Eagle
2/23/1982

System aids Amtrak

You may have heard someone say, "I tried to make a reservation at Amtrak but couldn't get the line." That sad story has been all too true for hundreds of thousands of callers who had their curiosity piqued by press releases from the National Railroad Passenger Corporation but were turned away by overloaded lines when they tried to call for details.

Amtrak is taking steps to correct that situation. A new $55-million reservation system called Arrow is now in operation. It consists of three large computers and more than 2,700 terminals on a nationwide network. The system can make instant credit checks, identify lost or stolen tickets, provide information about train and bus connections and confirm reservations a year in advace.

The installation of Arrow indicates that Amtrak is not just interested in customer convenience. With Arrow, Amtrak makes a bid to be taken seriously as a link in the chain of a national transportation policy.

Philadelphia Inquirer
2/25/82

Phila. faces loss of $706,000 in Amtrak taxes

By Joe Davidson
Inquirer Staff Writer

Philadelphia stands to lose $706,000 in anticipated real estate tax revenues this year because Amtrak is prohibited by a new law from paying those taxes, according to Revenue Commissioner Eugene L. Cliett Jr.

"They called this morning and said they weren't going to pay anything," Cliett said Wednesday.

Amtrak is refusing to pay the taxes because the Transportation Appropriation Act, passed by Congress in December, says the federally created railroad passenger corporation does not have to pay any state or local taxes, except to Beech Grove, Ind.

Beech Grove has a major Amtrak maintenance and overhaul facility and receives an unusually high portion of its revenue from Amtrak taxes, according to congressional and Amtrak sources.

In Philadelphia, Amtrak owns 30th Street Station, at 30th and Market Streets, and other properties. These properties have an assessed value of $10.5 million and a market value that probably exceeds $30 million, according to Cliett.

Chief Assistant City Solicitor Ellis M. Saull said he was researching the law "to see if they [Amtrak officials] are correct." He said he also was trying to learn if "any kind of unfair preference" was given to Beech Grove.

Saull said he felt that the burden of proof on the tax question rested with Amtrak.

"Our position is they are to pay these taxes unless and until they raise an exemption. Our assumption is until they prove otherwise, they have to pay the taxes like anyone else."

Amtrak officials said they would not pay the tax because the law clearly was on their side.

"That law overrides any other law, period," John Jacobsen, Amtrak's director of external communications, said in a telephone interview from his Washington office.

"This is not a Philadelphia-Amtrak issue," he said. "Amtrak is simply obeying the law of Congress. Amtrak does not have any flexibility in interpreting that law. It is very clearly written."

The law reads that "none of the funds appropriated for the benefit of the [Amtrak] Corporation . . . or the revenues or other assets of the Corporation . . . shall be available for payment to any state, political subdivision of a state or local taxing authority for any taxes or other fees

levied on the Corporation."

Saull said he recognized that the city would have a difficult time getting the $706,000 from Amtrak.

"There may be some problem in us attacking it, because it is a federal law. It's not something we're going to give up on," he added.

Nationwide, Amtrak expects to save $14 million because of the federal legislation.

"If the federal government wants to give Amtrak a subsidy, they should do it and not take it away from the cities," Cliett said. The federal law should be fought with "a concerted effort by all affected localities," he added.

Amtrak's refusal to pay real estate taxes comes at a time when Philadelphia is already facing a financial situation that city officals have described as "serious."

A preliminary bond statement prepared by the Green administration estimates that the general fund budget for this fiscal year will have a gap of $63.8 million between expenses and revenue.

However, this does not mean that the city will face a large deficit this year, said Finance Director G. Edward DeSeve. DeSeve said that the city would use a $49.2 million surplus from fiscal year 1981 and $13.9 million in canceled expenditures to reduce the deficit to $700,000.

City Controller Thomas Leonard said, however, that the gap was an indication that the city could face financial difficulties in the fiscal year that begins on July 1.

"Next year, if they [Green administration officials] continue the way they were, they would have that $63 million gap," Leonard said. "It's not an insignificant problem. It's clearly an almost $64 million problem for the next [fiscal] year. There's no doubt about it."

Mayor Green is scheduled to present his budget proposal for fiscal 1983 next month.

Providence (RI) Journal
1/29/1982

League of Cities and Towns to seek repeal of Amtrak exemption from municipal taxes

By THOMAS J. MORGAN
and DON SOCKOL
Journal-Bulletin Staff Writers

The Rhode Island League of Cities and Towns will seek repeal of a congressional action exempting Amtrak from local taxes, including $900,000 annually to 11 communities in Rhode Island.

The League's board of directors and legislative committee, made up of representatives of 14 communities agreed yesterday to fight the action, which apparently slipped through unnoticed last month as a rider to a Transportation Department appropriations bill.

The group will first lobby the state's congressional delegation to get the legislation changed, said Kenneth Payne, its executive director.

If no change is made, the group will consider challenging the tax exemption on legal grounds, he said. "It's sort of unusual to pass a law saying somebody doesn't have to pay their taxes," he said.

He hopes to rally opposition by municipal leagues throughout the Northeast, he said.

One basis for a legal challenge, Payne speculated, might be that the tax exemption is discriminatory because it excludes one town, Beech Grove, Ind., because Amtrak makes up so much of its tax base.

* * *

PAYNE SAID the offices of Sen. John H. Chafee and Rep. Claudine Schneider have contacted the League to ask for information on the impact of the Amtrak tax exemption and for suggestions on action from the League.

Mrs. Schneider said earlier this week that she favors changing the law to exempt Amtrak from local taxes only to the extent that it is subsidized by federal tax dollars.

The attorney general's office also called to offer legal assistance if requested, Payne said.

Providence Councilman Joseph R. Paolino Jr. said yesterday that he would introduce a resolution next Thursday to join in any legal challenge to the tax exemption.

* * *

WHETHER Congress was within its rights to exempt Amtrak from local taxes — what it actually did was forbid it to use any revenues to pay them — is being studied by municipal attorneys.

Assistant City Solicitor Armando O. Monaco of Cranston, which would lose $58,644, said he is "not sure what the status of Amtrak is in terms of a legal entity. I'm not sure whether Congress has the authority" to make it tax-exempt.

John Rotondi Jr., Providence city solicitor, declined comment because he has not had a chance to study the legislation, but Mayor Vincent A. Cianci Jr., speaking earlier, remarked, "I'm not conceding it's constitutional."

Providence would lose $581,000 under the new law.

In Warwick, Asst. City Solicitor Frank J. Cenerini said he was unfamiliar with the act, but, based on press reports, found that the question of constitutionality "isn't something that just pops out at you." He said the city would review the legislation. "Any time Congress passes legislation that has a negative impact on a municipality it's a cause for concern," he said.

Warwick could lose $100,000 under the law.

South Kingstown Town Solicitor Robert Gates said when asked about the question of constitutionality: "I really haven't looked at it from that point of view. I couldn't give an opinion without researching it further." He said the question is more appropriate for the attorney general's office. It would be up to his Town Council to authorize him to consult the attorney general, he said.

Frank Shafroth, legislative counsel for the National League of Cities, said constitutionality is "a very good question that gets into what extent Amtrak is a public corporation or a private corporation."

He added that he believes the tax exemption went beyond appropriating money and legislated, which cannot be done in an appropriations bill.

* * *

GERALD CLARK, a professor of constitutional law at Suffolk Law School in Boston, said he sees nothing unconstitutional about the bill.

Cautioning that his opinion was based solely on press accounts, Clark said Congress has "almost absolute power" to decide how federal money will be spent.

"If Congress wants to prevent their own appropriation from going into state and local coffers, they have a right to do that, it seems to me," he said.

Mr. Byrd: Mr. Boyd, I would like to take this opportunity to secure your reassurances on a few points. First, it is my understanding that Amtrak intends in fiscal year 1983 to continue to operate a national rail passenger transportation system, is that correct?

Mr. Boyd: Yes, sir.

Mr. Byrd: Didn't Congress just last year in the Budget Reconciliation Act of 1981 consider the fiscal year 1983 Amtrak authorization and establish an authorization level of $788 million.

Mr. Boyd: Yes, sir.

Mr. Byrd: Does Amtrak's fiscal year 1983 budget request of $788 million provide adequate funds to continue the operation of all trains which are presently in service?

Mr. Boyd: Yes, sir.

Mr. Byrd: Would the fiscal year 1983 budget submitted by Amtrak require any reduction in service from the 1982 level?

Mr. Boyd: No, sir.

Mr. Byrd: So, there are adequate funds in the fiscal year 1983 budget to continue operation of the Cardinal on its present schedule of three days a week, is that correct?

Mr. Boyd: Yes sir - the Amtrak budget request does include sufficient funds to continue the present operation of the Cardinal.

Mr. Byrd: The Administration has requested only $600 million for Amtrak in fiscal year 1983. This is some $188 million less than the amount requested by Amtrak. Does the Administration's request permit Amtrak to fulfill all of its obligations under existing law?

Mr. Boyd: No, sir, it does not since the Administration assumes that certain actions and events will evolve in a manner to reduce our funding requirements. We question these outcomes although we do not disagree with the dollar impact if the Administration's assumptions were to come true.

Mr. Byrd: I understand that the Administration's lower budget request for Amtrak assumes that the Cardinal will not be continued next year, is that correct?

Mr. Boyd: That is my understanding.

Mr. Byrd: The Statement of the Managers accompanying the conference report on the fiscal year 1982 Department of Transportation and Related Agencies Appropriation Bill directed AMTRAK to prepare a report on various means to improve the ridership of the Cardinal. That report was delivered to this Committee on Friday, March 26. I note on page 6 of that

report that Amtrak states: "In 1982, the Cardinal is doing well. Suprisingly well." How do the ridership statistics for the Winter and Spring of 1982 compare with those of the previous year?

Mr. Boyd: Since its restoration in January as a tri-weekly service, the Cardinal has made steady and impressive improvement in its ridership statistics.

In February '82 the three day per week Cardinal generated 83% as many passenger miles as did the daily train a year earlier with only 44% as many train miles. This resulted in a 94% increase in PM/TM to 92.7.

In March the Cardinal generated 95% of the previous year's passenger miles with 41% of the 1981 train miles for a 126% increase in PM/TM to 154.4.

April results are not yet available.

Mr. Byrd: While the Cardinal's ridership has improved considerably during the first four months of 1982, what has been the experience for other trains throughout the system during the same period?

Mr. Boyd: We do not yet have April ridership statistics available. However, during the first 3 months of 1982 our long distance routes in total have averaged a year-to-year decline of approximately 12% in PM/TM.

Mr. Byrd: So the Cardinal really is doing quite well in comparison with its previous history and

in comparison with other trains in the system. I note in your report that AMTRAK projects a PM/TM of 133 for the Cardinal in fiscal year 1983. And yet, the Cardinal has averaged a PM/TM of 138 for the traditionally slack first three months of the year. Is this PM/TM projection of 133 an accurate number which reflects your current thinking?

Mr. Boyd: Our projections for FY 1982 and FY 1983 are based on AMTRAK's historical experience with the Cardinal, adjusted to a triweekly operation. The train has been outperforming that historical experience. However, before revising our estimates we want to see if, in fact, these trends continue. It is conceivable that the recent, severe winter, the present $10 return fare promotion, and the public awareness of the train may have given the train substantial, but temporary, ridership gains. We hope not. But we have to wait and see. If present trends continue, a revised PM/TM estimate is in order and will be calculated.

Mr. Byrd: When will AMTRAK revise its PM/TM projections for the Cardinal to reflect the increased ridership which has occurred this year?

Mr. Boyd: We wish to gain the perspective of seeing how well the Cardinal performs during the tradi-

tionally heavy summer vacation period before reprojecting the train's passenger mile per train mile performance. I expect that we will do this late this summer in anticipation of a new FY 83 forecast.

Mr. Byrd: The report of the Cardinal also notes that if this train were routed through Indianapolis it would most assuredly meet the minimum PM/TM criteria. What are your projections for the ridership potential of the Cincinnati to Chicago corridor?

Mr. Boyd: The joint DOT/AMTRAK Emerging Corridors Report of April 1981, which is the latest study of the Chicago-Cincinnati corridor, shows this corridor to be the second best corridor examined, in terms of the criteria AMTRAK uses to gauge a route's performance. The base projection for the Chicago-Cincinnati corridor shows the corridor achieving in FY 80 dollars a revenue-to-cost ratio of 75%, and an avoidable loss per passenger mile of 1.1¢. A 25% increase in ridership above the base shows the corridor generating an avoidable loss per passenger mile of .2¢ (or essentially breakeven) and a revenue-to-cost ratio of 85%. The base forecast projects the corridor attaining 98,300,000 annual passenger miles in FY 85. These statistical summaries are based on three frequencies per day on the route.

Mr. Byrd: Would re-routing the Cardinal through Indianapolis save any time for travelers between Washington and Chicago?

Mr. Boyd: We estimate that, with the necessary upgrading of track and signalling in Indiana, approximately two hours could be saved on the route via Indianapolis.

Mr. Byrd: Mr. Boyd, are there any other proposed changes affecting the Cardinal which we have not discussed today?

Mr. Boyd: We are attempting to work out the logistics of running the entire Cardinal, not just selected cars, through to New York. This would allow us to offer greater capacity north of Washington as well as provide checked baggage service over this segment. We are also currently taking delivery of 25 new Amfleet II Cafe-Lounges from the Budd Company. We have tentatively assigned one of these cars to the Cardinal for 1983.

Questions Submitted to the Federal Railroad Administration

QUESTIONS SUBMITTED BY SENATOR ANDREWS

RAIL INSPECTION

Senator Andrews: Please provide for the record detail on how much rail was inspected in FY 1981, what is projected for FY 1982, and what percentage of total track this includes. Additionally, designate what sort of freight was carried on the track inspected.

Response:

	Actual FY 1981	Estimated FY 1982
Track Miles Inspected	216,200[1]	240,000[1]

[1]These figures are inclusive of follow-up reinspections. Approximately 40 percent of the "track miles inspected" is the result of the reinspections.

There are 306,000 miles of track in the United States including multiple main track, yards and switching track. Approximately 50 percent of this track is annually inspected for compliance by FRA.

Most of the trackage inspected by FRA has some hazardous materials shipments and/or passenger traffic.

DATA MANAGEMENT

Senator Andrews: FRA provides special reports and tapes in response to requests for information from unions, trade associations, and the public, as well as other Government entities. What sort of cost recovery program does FRA have regarding administration of the data management program? Has cost recovery been considered as a possible option?

Response: The FRA charges the public the actual cost of the computer charges accrued. It does not charge the railroads or railroad labor organizations for the computer runs. This information is used by both rail management and labor to conduct safety analyses and implement safety improvement programs.

FRA and the Association of American Railroads (AAR) exchange computer tapes; the AAR supplies their railroad car inventory file (UMLER) to the Federal Railroad Administration for use in the FRA accident data base.

The actual costs to the Government for supplying railroad labor and management with the computer reports and generated tapes (the requester supplies the blank computer tape) is less than $2,000 annually. The cost to anyone, including member railroads, to obtain the annual UMLER file from the AAR is $2,000 each. As explained, this data is supplied free to the FRA. Instituting a cost recovery program from the rail industry, therefore, would not be cost beneficial to the Government.

PLANNING AND EVALUATION

Senator Andrews: The budget request for Planning and Evaluation, which is included under safety regulations and program administration in your justification has increased by $1.1 million from FY 1982. Detail for the record a summary of the proposed changes and how much money the railroad industry is expected to save from the rule modernizations.

Response: FRA has consulted with rail labor and management on appropriate changes in rail safety statutes and regulations. The Railway Labor Executives' Association and the Association of American Railroads agreed on a set of changes in the power brake and track regulations.

FRA issued proposed rules to implement the track and power brake recommendations, and the public has had opportunities to make oral and written comments. FRA will shortly issue final rules implementing these labor/management accords.

The proposed changes in the power brake rules and the track standards revision would eliminate or modify costly and controversial rules no longer necessary for safety. Annual savings will exceed $100 million.

The RLEA and the AAR also recommended that existing law be amended to permit a receiving carrier to accept and haul, for purposes of repair, a car with defective brakes or safety appliances. FRA has proposed an amendment to the Railroad Safety Act which would effectuate this recommendation.

There are six other current rulemaking projects underway by FRA:

1. Alerting Lights on Locomotives
2. State Participation Rule Revision
3. Tank Car Safety Improvement (HM-175)
4. Passenger Car Standards
5. Small Railroad Deregulation Inquiry
6. Signal and Train Control Rules

Proposed changes under these other rulemakings have not yet been issued and the attendant costs and benefits have not yet been determined.

GRADE CROSSING INITIATIVES

Senator Andrews: I am aware of two recent Federal Railroad Administration initiatives regarding grade crossings including an in-house study on the use of reflectors on rail cars and a new regulation regarding a requirement to put strobe lights on train engines. What is the current status of these initiatives?

Response: The Federal Railroad Administration and the Federal Highway Administration have sponsored a study with the Canadian Railway Transport Committee and the Boston and Maine Railroad to evaluate the feasibility of rail car reflectorization. This research has analyzed and evaluated basic visibility requirements, recent accident data, reflector effectiveness, reflector

costs, and maintenance and performance characteristics. The report will be published later this year.

On June 18, 1979, FRA published a Notice of Proposed Rulemaking (NPRM) that would require railroad locomotives to display flashing alerting lights at public rail-highway grade crossing (44 FR 34982). The alerting lights prescribed in the proposed rule were electronic flash tube lights (strobe lights). Other types of currently utilized alerting lights (oscillating lights and revolving dome lights) were not included in the NPRM and, hence, were not acceptable lights under the proposed rule.

Serious objections to the proposed rule were raised. As a result, FRA withdrew the NPRM on April 15, 1982 (47 FR 16189) in order to provide greater flexibility in obtaining additional and more current information on a wide variety of alerting light devices. After development of additional information, FRA anticipates publishing an entirely new alerting light proposal as quickly as possible.

NORTHEAST CORRIDOR

Senator Andrews: Your statement mentions several Northeast Corridor Improvement projects planned for FY 1982. After these projects are completed, how much of the total improvement effort in this area will be accomplished? What proportion of the remainder will be completed in FY 1983?

Response: Over 50 percent of the Northeast Corridor Improvement project including design, program management and construction will be completed by the end of FY 1982. Representative completed activities include: 95 percent of all design work; station remodeling at Trenton, and New London; new maintenance-of-way bases at Odenton and Perryville, Maryland; relocation and modernization of the New Haven, Connecticut refueling facility; and major rehabilitations to the Connecticut River moveable bridge and 120 smaller bridges. Over 90 percent of the Amtrak track program will be complete including installation of 400 miles of concrete ties, 738,000 wood ties and the surfacing of 580 miles of track for high speed operations.

By the end of FY 1983, nearly 75 percent of the project will be completed. Activities which we expect to complete in FY 1983 include: all designs; remodeling of stations at Wilmington, Baltimore, Metropark, and New York; new maintenance-of-way bases at Adams, New Jersey and Providence, Rhode Island; a rebuilt B&P tunnel in Baltimore; eight track section improvements (drainage, curve realignments, and interlocking reconfigurations); and major rehabilitation of bridges at Groton, Connecticut and Pelham Bay and Port Chester, New York.

Construction will continue through FY 1985.

EMERGENCY RAIL FACILITIES RESTORATION

Senator Andrews: For FY 1983, you have included language in your budget request which would limit the amount of commitments for deferred interest for direct loans made pursuant to the Emergency Rail Facilities Restoration Act. This limit is about $2.3 million. Detail for the record how this figure was arrived at and the impact that the limitation will have on the railroads.

Response: The $2.3 million figure is the product of a 5.5 percent interest rate applied to a base of $41,837,000-- the sum of the principal amount loaned under the Act ($25,720,000) and the estimated interest deferrals on those loans at September 30, 1982 ($16,117,000). The limitation is not expected to have any impact on the railroads. All of the recipients of the loans were bankrupt carriers which have since discontinued rail operations under the Final System Plan: Penn Central Transportation Company, Erie Lackawanna Railway Company, Lehigh Valley Railroad Company and the Reading Company.

The loans, made in August 1973, were 20-year loans at 5.5 percent interest. Under the statute, payments of principal and interest could be deferred for a maximum of 10 years. The loans were unsecured. No payments of principal or interest have been made by the recipient railroads. Annual deferrals "not to exceed the earlier of 1-year or the date on which a Court-approved plan of reorganization is implemented" have been granted. Payments of amounts owing to the United States on the loans, whether in cash or securities, will depend on the proceeds, if any, ultimately realized by the United States through the provisions for satisfaction of claims of unsecured creditors incorporated in the approved reorganization plans of the recipient railroads.

HAZARDOUS MATERIALS

Senator Andrews: Please provide for the record detail on the number of accidents, the percentage of all accidents, and the dollar value of accidents involving hazardous materials. Also provide a listing of which materials are included under this classification.

Response:

	YEARS				
	1977	1978	1979	1980	1981
Number of Accidents in which a Hazardous Materials Car(s) was Damaged or Derailed	447	511	481	455	348
Number of Accidents Involving the Release of Hazardous Materials	117	136	106	118	77
Percentage of Total Railroad Accidents	1.17	1.24	1.12	1.44	1.38
Value of Reported Damage	$ 18,107,688	$ 19,651,027	$ 15,228,984	$ 18,013,212	$ 10,386,401

There are over 4,000 specific commodities classified as hazardous materials. These commodities may be grouped into eight major hazard classes: explosives; gases; flammable and combustible liquids; flammable solids; oxidizers and organic perioxides; poisons; radioactive materials; and corrosives.

SYSTEMS SAFETY PLAN

Senator Andrews: In December of 1981, you submitted a Systems Safety Plan to Congress. In this plan, five priority areas were identified including hazardous materials, passenger trains, grade crossings, railroad employees and trespassers. It is the understanding of this subcommittee that you intend to target the priority areas through inspection schedules for track and equipment. What will be the effect of this change in emphasis on the safety of areas which have not been designated as priority and will you elaborate on what these non-priority areas consist of and why they have been so designated?

Response: The Systems Safety Plan established a priority order for concentrating rail safety efforts on those categories of rail accidents that pose the highest risk of fatalities and injuries. In the past, railroad safety was largely assessed in the overall number of railroad accidents with little emphasis on the relative importance of different kinds of accidents.

Complaint investigations, accident rates and defect ratios are significant factors in determining how the balance of an inspectors' time is utilized on non-priority areas, such as track that does not carry hazardous materials or passengers.

SYSTEMS SAFETY PLAN

Senator Andrews: In your plan, you set a goal of reducing accidents in priority areas by 20 percent over the next five years. I understand that this year's preliminary data indicates that the number of accidents due to trespassing actually increased in 1981 by about 49 cases and deaths increased by about 16. Since trespassing accidents are one of your priority areas, what sort of plan does the Federal Railroad Administration currently have to cut down on these types of casualties?

Response: The potential range for FRA action in this area is limited.

Railroads devote considerable effort to reducing trespasser fatalities and vandalism. During 1980 railroad security forces arrested almost 40,000 people and warned over 400,000 persons for trespassing.

Signs are also used to deter or caution trespassers. However, weathering, vandalism, and changes in land use or site visibility may reduce the effectiveness of signs unless they are replaced frequently.

GRADE CROSSINGS

Senator Andrews: I understand that grade crossings and trespassers account for about 90% of all rail-related fatalities. Does the railroad administration have some sort of policy governing your approach to grade crossings?

Response: The program for funding grade crossing improvements from the Highway Trust Fund is administered by the Federal

Highway Administration (FHWA). FRA, with assistance from FHWA, has developed a resource allocation procedure, a tool to assist states and railroads in selecting crossing improvements.

Operation Lifesaver, sponsored cooperatively by State and local Government agencies, civic organizations, and the Nation's railroads, is a public education program designed to reduce the number of accidents, deaths, and injuries at railroad-highway intersections. FRA actively supports Operation Lifesaver and served as a principal sponsor of the Operation Lifesaver Symposium held in August 1981 by the National Safety Council. The symposium was attended by representatives from 23 railroads, seven States, the Canadian Government, and a variety of interest groups such as private consultants, local police officials, labor organizations, railroad suppliers, and insurance firms. The conference promoted the goal of crossing safety by maintaining existing Operation Lifesaver programs and expanding the number of States offering programs. Operation Lifesaver has been adopted in thirty states.

All of these National, state and individual efforts have resulted in a 45 percent decrease in fatalities since 1974.

FRA is sponsoring research to find a means of enhancing train visibility at rail-highway crossings. Several studies dealing with alternative train detection systems and minimizing the severity of injuries from accidents are underway. FRA is now studying the potential for use of reflectors on freight cars. Field data collection and testing concerning train visibility has involved cooperative efforts with the Canadian Transport Commission's Railway Transport Committee and the Boston and Maine Corporation.

This study will be completed in July 1982. FRA also plans to issue a Notice of Proposed Rulemaking for alerting lights on locomotives. This NPRM is scheduled for issuance in May 1982.

SAFETY INSPECTORS

Senator Andrews: You are requesting funds for 24 additional safety inspectors in FY 1983. None of these additional inspectors are targeted for inspecting hazardous materials. What is the rationale for this, since hazardous materials was designated a priority area in your system safety plan of December 1981?

Response: FRA's FY 1983 budget request for 20 additional inspector positions (10 track inspectors, 4 training inspectors, 4 operating practices inspectors, and 2 signal and train control inspectors) is consistent with the stated objectives in the Systems Safety Plan. It represents the proper mix of inspector disciplines to work with railroad management and labor to reduce the actual number of casualties in the industry as well as reduce the possibility of a catastrophic hazardous materials or passenger accident.

FRA has increased its emphasis on track inspections on routes over which hazardous materials travel. FRA has scheduled its inspectors to inspect annually 92,000 miles of track handling all Amtrak passenger traffic and 95 percent of all hazardous materials traffic.

Other FRA inspection activities are also focused on this 92,000 mile network. Operating practices inspectors evaluate train operations on these lines, equipment inspectors concentrate on repair facilities and dispatching points serving these lines, and signal and train control inspectors monitor the maintenance of signal systems on these routes.

FRA has revised hazardous material tank car safety requirements to reduce the likelihood of a release in the event of an accident, and is concentrating its efforts on creating a safe environment for the transport of hazardous materials.

FRA has developed rules requiring special safety systems (shelf couplers, tank head protection, and high temperature thermal protection) on those cars posing the greatest risk - jumbo, uninsulated pressure tank cars. FRA has also mandated shelf couplers on all tank cars carrying anhydrous ammonia and liquified gases and shelf couplers will be installed on all DOT specification tank cars by March 1, 1985. Newly constructed jacketed, insulated pressure tank cars are also subject to tank head and high temperature thermal protection requirements.

FRA has issued an Advance Notice of Proposed Rulemaking to explore a remaining area of possible tank car improvement - the retrofit of DOT specification 105 tank cars.

Senator Andrews: I recently read about an accident in Louisiana in which a train carrying 120,000 gallons of hazardous materials derailed. Was this track inspected by your safety inspectors?

Response: There was a derailment of a Missouri Pacific train at Columbia, Louisiana on April 14, 1982, involving release of hazardous materials from a loaded tank car. The accident is under investigation by the Federal Railroad Administration.

The last accident that occurred on this portion of the line was in 1971 and the cause of that accident was attributed to a loose wheel on a freight car.

FRA conducted an inspection of the carrier's track inspection and ultrasonic rail flaw inspection records in the Columbia area and noted no exceptions from the requirements. The carrier has been performing the appropriate track structure and rail inspections. The proper repairs have been made when necessary. In addition, the carrier's 1982 planned maintenance program reflects installation of new crossties and continuous welded rail in the Columbia area.

COMMUTER ACCIDENTS

Senator Andrews: Several months ago, some accidents occurred on track owned by commuter rail authorities. I believe that at present, the Federal Government does not inspect commuter track or equipment. What is your position on this? Do you think the Federal Government should be in the business of inspecting mass transit authorities?

If the Federal Government did acquire this additional

responsibility, what would that translate into for your agency in terms of a need for additional inspectors?

Response: FRA has traditionally exercised safety jurisdiction over rail commuter operations in the Northeast, much of which has been performed in recent years by carriers such as Conrail and the Long Island Rail Road. We are continuing to exercise jurisdiction over all rail commuter operations presently or formerly conducted by Conrail. We are also exercising jurisdiction over SEPTA's Fox Chase line (the track on which the accidents occurred to which you have referred), and the MBTA's heavy rail commuter operations. In addition, we assist PATH by conducting inspections of its commuter operations through a cooperative arrangement.

As you know, Conrail will be released from its commuter service obligations after December 31, 1982. The Amtrak Commuter Services Corporation has been established to supplant Conrail as a contract operator of commuter service on behalf of those commuter authorities that elect to engage its services. By law, FRA has safety jurisdiction over Commuter Corporation. Regardless of the identity of the operator, however, commuter rail operations must be subject to effective safety jurisdiction. It is FRA's policy to exercise safety jurisdiction over commuter operations in the Conrail territory unless supplanted by equally effective jurisdiction at the state or local level.

Inasmuch as we are currently exercising jurisdiction over rail commuter operations, additional inspector resources would not be required to carry out this responsibility.

PENN CENTRAL RETIRED EMPLOYEES LIFE INSURANCE PREMIUMS

Senator Andrews: I understand the Penn Central Corporation is attempting to shift to the Federal Government the $19 million cost of its retired management employees' life insurance premiums. On what basis is this being done?

Response: In 1978, P.L. 95-597 amended section 303(b)(6) of the Regional Rail Reorganization Act of 1973 to require Conrail to make premium payments for the continuation of medical and life insurance coverage for retired Penn Central employees. Section 303(b)(6) now provides that these payments will be funded by a loan from the United States Railway Association (USRA) under section 211(h) of the 3R Act and that, if the reorganization court finds them to have been contractual obligations of the Penn Central estate, they will be treated as administrative expenses of the estate. The priority to be afforded these payments has been before the reorganization court since 1979.

The Senate version of the bill that became the Northeast Rail Service Act of 1981 would have established a presumption that the insurance payments were valid expenses of administration, mooting the case in the reorganization court and requiring Penn Central repayment of the USRA loan. The provision was dropped in conference. Language in the President's 1983 Budget (I-V173) would require USRA to seek immediate collection of these payments and would establish a payment as administrative expenses of the Penn Central estate. (Mr. Blanchette did not participate in the preparation of this response.)

QUESTIONS SUBMITTED BY SENATOR CHILES

SALE OF CONRAIL TO PRIVATE SECTOR

Senator Chiles: I understand that the government has invested approximately $7 billion in Conrail for capital improvement, operating expenses, and for the original acquisition costs. What do you consider to be the appropriate price range for the sale of Conrail?

Response: Our goal in returning Conrail to the private sector is to recover as much of our investment in Conrail as possible and to eliminate the need for future investment. I cannot tell you what the exact figure is now; it will depend on the offers, whether we think the high bidder or bidders will be able to operate the system without coming to the Federal treasury, and what Conrail's prospects are at that time. I can tell you that we will get the best deal we can.

Senator Chiles: The Committee has been informed that the Department has little interest in obtaining a significant sales price and is essentially willing to give Conrail away for a nominal price to a purchaser that has substantial financial backing in order to insure the continuing success of Conrail if the railroad falls on bad times. Is that a fair characterization of the Department's position?

Response: We want to get the best price for Conrail we can. We have hired an investment banker, and we are instructing the banker to conduct a competitive process that will secure the highest bids possible for the railroad. We will recover as much of the Federal investment in Conrail as we can.

Senator Chiles: After the several billion dollars of government investment in Conrail, do you believe a giveaway of Conrail's assests for a nominal price would be fair to U.S. taxpayers and the government interests involved?

Response: We are not interested in a giveaway. We will get the highest price we can for Conrail.

GIVEAWAY OF ALASKA RAILROAD

Senator Chiles: The Federal Government has operated the Alaska Railroad since 1914 and the Railroad has been operated at Federal expense since that time. The Administration is supporting legislation to transfer the Alaska Railroad to the State of Alaska and therefore no appropriation is requested for the Railroad for 1983. I understand that the Department has not requested to be compensated for the Railroad. Is that correct?

Response: Attempts have been made in the past to sell the Alaska Railroad to a private buyer on the condition that it continue to be operated as a rail carrier. However , private firms have been interested in purchasing the Railroad primarily

for the purpose of liquidating it. In addition, any attempted sale at this time would have to be conducted on a competitive basis under Federal procurement laws which could substantially delay the Administration's efforts to terminate Federal responsibility for the Alaska Railroad.

Our legislation would authorize a transfer of the Alaska Railroad to the State at no cost on the condition that the State use the property to provide rail service and assume the obligations of the Federal Government for employees, shippers and others who use the Railroad. The transfer could take place only after the State has given adequate assurances that it will be operated as a rail carrier. If the State does not provide rail service for 10 years, the properties would revert to the Federal Government or the State would be required to pay the then current value of the property to the Federal Government. This provision gives further assurance that the assets will be used for rail purposes for at least 10 years or the Federal Government will receive full value for the property. We believe that transfer to the State without monetary consideration under these conditions is appropriate.

Senator Chiles: Could you provide for the record the total Federal investment that has been made in the Alaska Railroad including all capital and operating expenses made since 1914?

Response: Since construction began on the Alaska Railroad in 1914, Federal appropriations of over $245 million have been provided for construction and operation of the Alaska Railroad through fiscal year 1981. Over $50 million of this total has been appropriated in the last six years to keep the Railroad viable during a period of declining traffic following the completion of the Trans Alaska Pipeline construction. Federal appropriations have been used primarily for capital and maintenance purposes. For fiscal year 1982, $6.1 million has been appropriated. The Administration has not requested any funds for fiscal year 1983.

SALE OF TRANSPORTATION TEST CENTER IN PUEBLO, COLORADO

Senator Chiles: I noticed that you have not proposed funding for the Transportation Test Center in Pueblo, Colorado and instead you are proposing to transfer the Center to the private sector. I understand that negotiations are underway between FRA and the Association of American Railroads (AAR) and that AAR would be willing to fund the operation of the Center if the Government provided a continuing subsidy of $1 to $2 million a year.

What is the status of FRA efforts to transfer the Center to the private sector? Do you intend to transfer the Test Center to a private sector entity without compensation? It sort of looks like you want to giveaway the Alaska Railroad, Conrail and the Pueblo Test Center all with little or no compensation.

Response: In March 1982, AAR agreed to operate the Test Center with the understanding that FRA would conduct research at TTC in FY 1983. Negotiations are continuing.

FRA will award a "facilities" contract to AAR to operate and maintain the test center at no cost to the Government. The

contract will not transfer FRA's ownership of TTC, but will allow the AAR to use those facilities in exchange for assuming the costs of operating and maintaining the Test Center.

In general, the agreement will provide for the following considerations:

Government use of the Test Center will take priority over all other users.

The contract will extend for a minimum period of 5 to 10 years.

When it needs to do a specific test, the Government will use the facility and will describe the test to be performed, as well as obligate the money.

UNION STATION

Senator Chiles: I noticed that Union Station has been transferred to FRA and $3.8 million has been requested to operate it in 1983. What is the status of the repairs that need to be made, the partially completed parking facility, and the recurring debate regarding whether the trains should be brought back into the original station area?

Response: The Union Station Redevelopment Act of 1981 provides that the Government's lease on the Washington Union Station property is to be transferred to the Department of Transportation from the Department of the Interior upon DOT's request. DOT has not yet made such a request. For budget planning purposes FRA is assuming that FRA may acquire property management responsibility during fiscal year 1983, and so FRA is requesting $3.825 million to cover rent, maintenance, and security of the property. The Government's rent obligation alone constitutes $3.5 million per year.

Although Union Station has not yet been formally transferred to FRA, FRA has already begun a comprehensive engineering survey of the historic building to determine the costs of rehabilitating it and restoring rail passenger functions to it. FRA will very shortly begin a planning and marketing feasibility study of Union Station to examine how transportation facilities can best be integrated into the old building, and to assess how the property can otherwise be redeveloped to achieve the goals of the Union Station Redevelopment Act. After the engineering survey and market study have been completed, FRA intends to engage a private developer to be responsible for carrying out the necessary repairs and improvements and for managing the Union Station complex.

The existing half-finished parking facility behind Union Station will be completed by the District of Columbia Department of Transportation, under the supervision of the Federal Highway Administration. Preliminary design of that project is already underway.

ELIMINATION OF 505 AND 511 PROGRAMS

Senator Chiles: I understand that FRA has proposed the elimination of the 505 and 511 railroad loan and loan guarantee programs. The Committee has heard from East St. Louis and other areas in the country that had hoped to use these programs to restructure and rehabilitate several rail systems. What additional projects can be accommodated with the funds remaining prior to the termination of these programs? How much in previously appropriated funds will remain available for obligation in FY 1983 and how do you propose to use these funds?

Response: As shown below, $128.9 million currently is available under the section 505 program. All but $900,000 of this has been earmarked by committee action, or by statute, to fund specific projects--including acquisition and rehabilitation of lines on the former Rock Island system, rehabilitation of the Milwaukee's Miles City Line, and terminal and yard improvements in East St. Louis and Kansas City.

	($ Millions)
Rock Island Lines	$38.0
Miles City Line (Milwaukee Road)	30.0
East St. Louis	20.0 1/
Grain Route (Minneapolis/Kansas City)	15.0
OKT (Oklahoma/Kansas/Texas)	11.0
Milwaukee Main Line	6.0
SSW/ICG/Kansas City Yard	5.0
Feeder Lines	3.0
Uncommitted	.9
Total	$128.9

1/ An additional $5 million is available under the Research and Development appropriation.

At this time we do not have applications for all of the section 505 projects earmarked for funding by the Congress. In particular, a number of applications are dependent on completion of negotiations with the Trustee of the Rock Island. While every effort will be made to follow through on the earmarked commitments before the authorization of the section 505 program expires at the end of fiscal year 1982, some applications to be funded from earmarked appropriations may not be received or sufficiently processed to permit obligation of funds by that time. An extension of the section 505 program authority may be necessary in the event all applications for funds cannot be processed in time.

In the section 511 program, a total of $522.3 million remains available for guarantees of project financing, subject to annual limitations in appropriations acts. The railroad industry however, has shown little interest in this program. In fiscal year 1981 and to date in 1982, FRA has not received any applications for major projects involving loan guarantee assistance. Even with the government's full backing, the prevailing interest rate for Federally guaranteed obligations is still too high to make this an attractive investment vehicle. We are not aware of any pending plans of eligible applications to seek assistance for major projects under section 511 in fiscal year 1983.

QUESTIONS SUBMITTED BY SENATORS D'AMATO AND WEICKER

COMMUTER SERVICES CORPORATION

Senators D'Amato and Weicker: Pursuant to section 506(a) of the Northeast Rail Services Act of 1981 (NERSA), the Metropolitan Transportation Authority and the Connecticut Department of Transportation have agreed to assume Conrail commuter operations on the Harlem, Hudson and New Haven lines. Both Transit operators, however, have five conditions to the take-over of these lines. Is the FRA prepared to meet these conditions? If not, please elaborate as to these conditions.

Response: 1. With respect to the agencies requirement that full and timely funding be made available for all transition and other costs, DOT is firmly committed to the successful transfer of Conrail's commuter operations. Further discussions will be held with the agencies to understand their needs and to solidify DOT's recommendation.

2. With respect to the timeliness of the transition funding, including agency working capital requirements, the comments received by DOT on the Emergency Interim Final Rule published on February 4, 1982 are currently under review. Because all of the agencies submitting comments questioned the extended timing for the release of transition funding assistance, it is expected that some adjustment will be made on an agency specific basis to the timing schedule in order to better accommodate their needs.

3. With respect to any potential costs to the agencies resulting from the termination of Conrail employees, to the extent that this condition implies that MTA or CDOT is seeking the ability to terminate employees or abolish positions which are transferred to them under the procedures of section 508 of the Rail Passenger Service Act as added by section 1145 of NERSA, then DOT cannot support the condition. If, on the other hand, MTA and CDOT are seeking to protect themselves from any residual claims arising from the separation of an employee or the "blanking" of a position executed by Conrail under section 702 of the Regional Rail Reorganization Act of 1973, then DOT would support such a condition. However, the intent of this condition needs further clarification before a final determination can be made.

4. With respect to Northeast Corridor coordination requirements of section 505, it is our understanding that Commuter Services Corporation (CSC) will comply with these requirements.

5. With respect to utilizing CSC to negotiate for services that may result in economies of scale for commuter authorities, CSC has agreed in its April 15, Proposal for Service to perform this function and in anticipation of this need, it is implementing the Ernst and Whinney action plan for the implementation of major support systems.

NORTHEAST CORRIDOR

Senator's D'Amato and Weicker: Congress mandated in its report to the Omnibus Budget Reconciliation Act of 1981, that the Secretary of Transportation "complete the Corridor Improvement Project in accordance with the goals and to the extent the funds are authorized under the Railroad Revitalization and Regulatory Reform Act of 1976, as amended". Given continued congressional support in authorizations and appropriations for this program, how is DOT meeting these requirements?

Response: Consistent with the Omnibus Budget Reconciliation Act of 1981, the Department is developing plans for alternative ways to spend the full $2.5 billion authorization. The Department will keep the Committee informed as we proceed further and will discuss the proposal with the Committee staff. However, the Department believes that $2.19 billion represents an adequate level of spending on the Northeast Corridor Improvement Project and will not request that funds be appropriated beyond this point.

QUESTIONS SUBMITTED BY SENATORS D'AMATO AND WEICKER

CONRAIL COMMUTER TRANSFER

Senator's D'Amato and Weicker: On February 4, 1982, the U.S. Department of Transportation published an emergency interim ruling regarding the transfer of Conrail commuter service operations in Federal Register 47 CFR 5227. On what basis did DOT determine the allocation of funds as recommended under section 670.9(b), pre-transfer allocation, and section 670.9(c), transfer allocation?

Response: The allocation formula provided in section 670.9 of the emergency interim rule regarding transfer of Conrail commuter service operations is based on car mile and revenue data for the year 1980. This formula was agreed upon by all the commuter authorities and was selected by FRA and UMTA as the most effective and equitable of the available alternatives. The emergency interim rule allocates the available funds over a four year period because it was the Department's understanding that such was the intent of Congress. The authorizing statute provides that the funds are no-year funds available until October 1, 1986. The interim allocation of funds is not final. Comments from the commuter authorities on the emergency interim rule suggested that all the funds should be provided in fiscal years 1982 and 1983. The Department is evaluating comments received on the interim rule and expects to issue a final rule in the near future.

[CLERK'S NOTE.—The following statements by Senator Burdick and several State public utility commissions were also submitted for the record.]

STATEMENT OF HON. QUENTIN N. BURDICK, U.S. SENATOR FROM NORTH DAKOTA

I support the continuation of the Local Rail Assistance Programs (LRSA) which originated in Title IV of the Regional Reorganization Act of 1973. The initial purpose of the program was to provide states in the northeast and midwest regions of the United States with a temporary means to retain rail service over approximately 7,000 miles of light density rail lines that were abandoned in the process of forming Conrail. However, the use of Section 803 program funds has shifted from one of providing operating subsidies for abandoned lines to a national program concentrating on track rehabilitation. Through FY 1981, approximately 3,640 miles of rail line have been rehabilitated with the assistance of this program.

This program has been very beneficial to states like North Dakota to alleviate the impact of branchline abandonment and improve local rail service. These Federal Railroad Administration funds are administered by the State Highway Department's Planning Division, Office of Railroads. To date, the state has received $2,704,887 from this program for rehabilitation projects. An additional $1,666,028 is expected to be received by the state in FY 1982. Because this program is so important to North Dakota, I would like to explain in detail the need not only to provide adequate FY 1983 funding, but the need to continue the program.

DEVELOPMENT OF STATE PLAN

The Secretary of Transportation released a study in 1976 which suggested that North Dakota in the near future could be

vulnerable to branchline abandonment because over 50 percent of the trackage was light density. The threat of losing 2,500 miles of track and the dependency of North Dakota's agricultural economy upon railroads were significant factors for the state to become involved in state rail planning. Section 803 provides the state with $100,000 each year to develop and implement a rail plan. The existence of a statewide planning and rail office has been a tremendous asset to North Dakota in dealing with the branchline crisis. In 1979, 540 miles were identified as subject to potential abandonment, and within a year the mileage increased to 840 miles. After publication of the Burlington Northern's Systems Diagram Map on June 26, 1981, on the abandonment application by the Milwaukee Railroad on its two remaining lines in the state, there were 1,478.37 miles identified as being considered for abandonment within three years (category 1), under study for possible future abandonment (category 2), or pending approval for abandonment before the Interstate Commerce Commission (category 3).

NORTH DAKOTA PROJECTS

Besides planning, the categorical grant programs can be used for the following purposes: rehabilitation, new facility construction, acquisition, and substitute service. The funds are distributed according to a statutory formula. Generally, two thirds of the funds are distributed based upon the miles of rail mileage in categories 1, 2, and 3 within each state. The remaining one third is distributed based upon the amount of abandoned mileage. This formula provides for distribution of funds to states hit hardest by rail problems.

Burlington Northern officials and the State Planning and Rail Office announced recently that four state branchlines

will be rehabilitated this summer. The lines represent the first 90 miles of the railroad's proposed five-year, 800 mile rehabilitation program in the state. BN plans to borrow half the money for this year's projects, or $2.5 million, from funds the state receives under this federal program. Conditions of the loan are not set, but discussions so far involve a ten-year payback and an interest rate based on a sound AAA bond rating. I think that it is tremendously important for the Committee to understand that this federal program is no longer a subsidy program that provides short-term operating relief, but one that resolves transportation problems. If North Dakota state officials and the BN are to continue planning for the remaining 710 miles, I think that continuation of this federal program will be an important factor.

North Dakota has received a total of $2,128,660 in local rail service assistance for rail projects. The following communities have benefited from the federal program:

Jamestown. In 1979, the State Legislature mandated that all state institutions convert to coal heat by the fall of 1982. The 2.9 miles of rail line between Jamestown and the State Hospital had been out of service since 1978 when a fire had severely weakened a bridge structure. The state received local rail service assistance in the amount of $824,749 for track/bridge repair.

Monango. $191,278 for siding construction on a Soo line to provide access to a new regional grain elevator.

Fairmount. $14,400 for construction of a connection from an abandoned Milwaukee line to an operating Soo line.

Gladstone. $319,973 for siding construction to serve a fast-loading grain terminal which is under construction.

Newburg. $871,856 for the Soo Line at Newburg for rehabilitation of 4.3 miles of track serving a grain elevator.

North Dakota has also used these funds to participate in a regional project with South Dakota, Minnesota, and Montana to fund the emergency rehabilitation for the Milwaukee

Road. When the Big Stone electric power plant was constructed at Big Stone City, South Dakota, it was specifically designed to use coal which was mined at Gascoyne, North Dakota. The coal was hauled to the power plant by the Milwaukee Road in six unit trains per week. This plant serves 115,000 North Dakota consumers. The line was in such poor condition that some work was required immediately in order to avoid disruption of service until the states could find a replacement carrier for the bankrupt Milwaukee Road.

LEGISLATIVE HISTORY

The LRSA program was amended in 1976, 1978, and 1981. Currently the authorizing legislation is contained in Section 5 of the Department of Transportation Act. The 1981 legislative amendments removed subsidy as an eligible program purpose and changed the federal/state matching share from 80/20 to 70/30. The matching share may be provided in cash or through eligible in-kind benefits such as the value of forgiven taxes, the value of trackage rights, or the value of state salaries for public employees working in the state rail program. In FY 1981, the entire amount of available funding ($47.4 million) was allocated to and obligated by the states after Congress provided for a one-time deviation from the statutory allocation formula. In FY 1982, using $35 million in funds deferred from the FY 1981 appropriation, the program has been essentially funding projects started in prior years.

Under the Omnibus Budget Reconciliation Act of 1981, $40 million was authorized for FY 1982, $44 million for FY 1983, and $48 million for FY 1984. Funds requested in the FY 1983 budget are $20 million. President Reagan does not plan to request additional funds for this program beyond FY 1983.

Another 1981 legislative change establishes a dis-

cretionary fund instead of reallocating unobligated funds back to each state. Entitlement funds will remain available to a state for 18 months from the beginning of the fiscal year. Any funds unobligated during the 18 months become available for discretionary use by the Secretary of Transportation. The first time such funds will be available is April, 1983. Based on the criteria for such funds, North Dakota has a good chance of receiving additional assistance from the estimated $5 million balance. For the Committee's information, the Secretary will consider the percentage of miles filed for abandonment, likelihood of future abandonments, benefit/cost ratio of project and long-term operation of the line, and the impact of bankruptcies and mergers.

OTHER SIGNIFICANT PROJECTS

Other states besides North Dakota have received benefits from this federal program. The following is a brief summary of how different states have utilized Section 803 funds to deal with local transportation problems.

IDAHO

A total of $1,947,128 in local rail service assistance for a rail project.

Project Description	Mileage	Amount
Plummer Junction-Bovill, rehabilitation to 25 mph of the St. Maries Railroad.	72	$1,947,128

Highlights: When the Chicago, Milwaukee, St. Paul, and Pacific Railroad announced its decision to terminate all service west of Miles City, Montana, the State of Idaho persuaded the Potlatch Corporation, which is the largest single shipper on the St. Maries River Railroad, to acquire the trackage between Plummer Junction and Bovill with the understanding that the state would provide funding to improve the line to 25 mph. The estimated cost of this project is $7.2 million and is expected to take at least four years to complete. The state received Local Rail Service Assistance funds for the project in both 1980 and 1981. The St. Maries River Railroad (Potlatch) provides the non-federal matching share.

IOWA

A total of $17,331,788 in local rail service assistance for rail projects.

Project Description	Mileage	Amount
Marquette-Sheldon, rehabilitation to 25 mph of the Milwaukee north main line.	250	$10,475,179
Ames-Bancroft, rehabilitation to 25 mph of a Chicago and North Western Transportation Company branch line.	100	6,631,232
Haywarden, connection construction providing shippers on an abandoned Milwaukee line access to an operating Chicago and North Western line.		225,377

Highlights: The Marquette-to-Sheldon line is owned by the Chicago, Milwaukee, St. Paul, and Pacific Railroad and had been improved in 1977 and 1978 with state funds. The line required an expenditure of some $14.1 million to achieve a constant 25 mph condition. Since this is the major east/west line in the state having direct access to a large facility at Marquette, the state has determined that the cost of rehabilitation is significantly less than the cost to grain shippers if the service was abandoned.

MINNESOTA

A total of $10,615,691 in local rail service assistance for rail projects.

Project Description	Mileage	Amount
Sleepy Eye-Redwood Falls, operating subsidy.	24.8	$807,682
Blue Earth County, highway improvement project conducted at a cost which is less than that of rehabilitating a related rail line.	4.9	400,250
Redwood County, highway improvement project conducted at a cost which is less than that of rehabilitating a related rail line.	4.6	$116,056
Albert Lea-Winnebago and Wells-Minnesota Lake rehabilitation to 25 mph of Milwaukee main line.	50.5	5,310,704
Winnebago-Granada, rehabilitation to 25 mph of Milwaukee main line.	10.0	607,756
Granada-Jackson, rehabilitation to 25 mph of Milwaukee main line.	26.2	1,796,062
Austin-Ramsey and Ramsey-Albert Lea, rehabilitation to 25 mph of Milwaukee rail line.	25	1,577,181

SOUTH DAKOTA

A total of $12,799,708 in local rail service assistance for rail projects.

Project Description	Mileage	Amount
Pierre-Huron, rehabilitation to 25 mph of the Chicago and North Western main line.	104.4	$3,470,599
Big Stone City-North Dakota border, rehabilitation of coal line to 25 mph.	299.4	1,840,000
Gascoyne, North Dakota-Miles City, Montana, rehabilitation of service gateway line to 25 mph.	118.0	2,000,000
Sioux Falls-Wentworth, rehabilitation to 25 mph of Burlington Northern branch line.	36.4	1,760,000
Grain elevator relocation which may not be implemented, to relocate elevator from abandoned Milwaukee line to an operating Milwaukee line.		179,800
Britton-Burlington Northern mail line, rehabilitation to 25 mph of state-owned rail line.		820,000
Aberdeen-Wolsey, rehabilitation to 25 mph of 74 miles of state-owned rail line.		1,239,073
Sioux Falls-Sioux City, rehabilitation to 25 mph of 89.7 miles of state-owned rail line.		1,490,236

WISCONSIN

A total of $11,064,912 in local rail service assistance for rail projects.

Project Description	Mileage	Amount
Lake Michigan Car Ferry, subsidy.	33.7	$5,052,634
Brillion-Forest Junction, subsidy.	(Water	140,695
Car ferry repair.	route)	786,848
Brillion, track spur and bulk loader construction to serve shippers on abandoned Milwaukee line.		14,720
Cavour, construction of a connection between the Nicholet Badger Railroad and the Soo main line.		200,000
Janesville-Mineral Point, rehabilitation to 25 mph of publicly owned rail line.	79.6	565,834
Sparta-Viroqua, rehabilitation to 25 mph of publicly owned rail line.	32.0	337,672
North Milwaukee-Oshkosh, Granville-Menominee Falls, Iron Ridge-Mayville, Horicon-Cambria, Brandon-Markesan, rehabilitation to 25 mph of Wisconsin and Southern Railroad.	147.0	3,966,509

Letter From George E. Hardy

April 16, 1982

The Honorable Mark Andrews
Chairman, Senate Subcommittee on Transportation
& Related Agencies
5205 Dirksen Senate Office Building
Washington DC 20510

RE: Federal Funding For Federal/State Rail Safety
Inspection Program

As chairman of the National Association of Regulatory Utility Commissioners' Staff Subcommittee on Railroad Safety, I have been requested to forward positions favoring retention of federal funding for the state rail safety inspection program by the Alabama Public Service Commission, the Tennessee Public Service Commission, and the Virginia State Corporation Commission. Copies of statements representing each commission are attached. Please enter these statements into the record involving the FRA state program funding issue.

George E. Hardy
Chairman, National Association
of Regulatory Utility Commissioners'
Staff Subcommittee on Railroad Safety

Statement of Alabama Public Service Commission

The Alabama Public Commission is seriously concerned with the proposed Fiscal Year 1983 budget reductions for the Gas Pipeline Safety Program as stated in our letter of Februrary 12, 1982. There is an even greater concern for the proposed elimination of the funding appropriation for the Railroad Safety Program.

We are also concerned about the failure of the Federal Railroad Administration (FRA) to issue final regulations for state participation in areas of safety other than track and equipment as mandated by the 1980 amendments to the Railway Safety Act of 1970.

This Commission supports the recommendations made by the National Association of Regulatory Utility Commissioners (NARUC) in their letter of April 1, 1982, to members of Congress. Their suggested appropriation for both programs should be included in the Budget for the United States Department of Transportation for the 1983 Fiscal Year.

The intent of Congress in the passage of the Natural Gas Pipeline Safety Act of 1968, as amended, and the Railway Safety Act of 1970, as amended, was that there be a cooperative federal and state effort in the enforcement of the Federal Safety Standards and that participating states be reimbursed 50 percent of their expenditures in this regard.

We are led to believe there is an apparent misconception on the part of various federal agencies, and even in Congress, that the states will continue and can fully fund these programs. When seeking approval of state budgets to fund these programs, the Commission must present data as to the source of funding for the various programs. If we cannot state that 50 percent of our budget for these two programs will be reimbursed by federal funds, there is a possibility the proposed budgets will not be approved which will necessitate the curtailment or discontinuance of these programs in Alabama; we are confident this would also be the case in other states. It is rather apparent the federal agencies cannot fill the void if any state withdraws from these programs.

Since the states have become involved, the improvement of the safety records of Gas Pipeline and Railroad Safety has been well documented. Our letter of February 12th cited the effectiveness of the Pipeline Safety Program and the same is true of Railroad Safety. If Alabama, or any other state, does not continue participation in these programs, the public's safety and well being will be endangered.

Because of Alabama's participation in the Railway Safety Program the federal government has not only gained the valuable services of our well qualified inspectors, but it has profited more monetarily than our state.

We have been advised that the FRA collected a total of $26.4 million for violations of the Federal Safety Standards during the past four fiscal years. We do not have access to the information relating to final settlements assessed by the FRA against the railroads for violations of the Federal Safety Standards filed by state inspectors, but are confident the amount collected for these violations exceeds the amount reimbursed to the states. In this regard, the limited information we have shows that during the fiscal year 1981 the initial assessment for violations filed by Alabama inspectors exceeded $238,000 while our total claims for reimbursement for this period was only $88.9 thousand.

The assessment of penalties against the railroads or pipelines for the purpose of funding these programs is not advocated, but at times this appears to be the only means of obtaining adherence to the minimum Federal Safety Standards. Voluntary compliance and improved safety are our goals, and money paid in settlement of violations could be better utilized on maintenance and repairs.

We sincerely solicit your support for the full funding and implementation of these important and vital safety programs for the coming fiscal years. Please advise if this Commission can be of assistance or furnish additional information.

Sincerely,

ALABAMA PUBLIC SERVICE COMMISSION

Billy Joe Camp

Billy Joe Camp, President

Lynn Greer

Lynn Greer, Associate Commissioner

Jim Folsom, Jr., Associate Commissioner

STATEMENT OF TENNESSEE PUBLIC SERVICE COMMISSION

Mr. Chairman and Members of the Committee, I appreciate this opportunity as Chairman of the Tennessee Public Service Commission to present the views of the Tennessee Commission concerning the funding of the Federal-State Rail Safety Cooperative Program.

First, let me say that we support continued funding of the program because it is just now beginning to show its fruitfulness through protection of the general public. Its discontinuance would seriously jeopardize the safety and well-being of millions of people who are exposed to the hazards of rail transportation in Tennessee and the nation.

In 1974, when the Federal Railroad Administration first started to police rail safety, there was a period of approximately four years (1974 - 1978) in

which derailments and accidents increased over 100% in Tennessee. This was a period in which the Federal Railroad Administration was in its infancy, understaffed, and totally unable to adequately police rail safety. Therefore, railroads, not being closely inspected, chose to defer maintenance on their tracks and this lack of maintenance resulted in deterioration, thereby causing serious safety problems. Since 1978, with, and through, the cooperative efforts of the Tennessee Public Service Commission and the Federal Railroad Administration, we have shown great progress in the improvement of rail safety in our state. In fact, we have seen a dramatic decrease in the number of derailments. For example, in Tennessee we had a 35% decrease in the number of derailments in 1979 over 1978; in 1980 we had an additional 35% reduction; and 1981 we had a further reduction of 41%.

You can see by these figures that the State and Federal partnership in Tennessee is making great progress in accomplishing the original design of the Federal Railway Safety Act. The railroads in Tennessee are in safer operating condition than they have been since the early 1970's. In fact, the number of derailments reported in 1981 is the lowest number of derailments in Tennessee in the last 16 years. These statistics show that the cooperative Rail Safety Program is just beginning to show its benefits.

I fear, and my colleagues fear, that if Federal participation in the funding of the Rail Safety Program ends that rail safety will deteriorate and begin to expose people to more and more hazards. For example, Tennessee ranks 7th in the nation in transportation of hazardous materials. A great deal of hazardous cargo is produced and shipped out of Tennessee, and Tennessee, being a cross-roads state for rail traffic, also is exposed to a great deal of this type cargo movement. One of the worst disasters in Tennessee history occurred just four years ago in a small Middle Tennessee town called Waverly. In February of 1978, a derailed propane tanker exploded in the heart of this town causing 16 deaths and 50 injuries. A portion of this town was reduced to ashes and 66 families will forever bear the scars of this tragedy. The removal of the Federal portion of the funds for the Rail Safety Program would be a serious step backwards and has the potential to permit a tragedy such as this to occur.

It is my fear that the states will not fund a program that is controlled and run entirely by the Federal Government. I feel that the states will simply say, "We have no input or control, and why should we pay to run such a program." It is my opinion that the states, finding themselves in budget crunches, will drop out of this program. The Federal Government will then find itself in the

position of policing all rail safety, and the program will ultimately cost more than the administration is presently trying to save.

In closing, let me say that the money we are talking about relates to the overall federal budget in the way a grain of sand relates to a beach. I have seen the death and destruction in Waverly, Tennessee caused by a rail disaster, and I can find no way in which to relate the value of human lives to this relatively small expenditure of funds for safety. I urge you to continue funding for this very important program.

STATEMENT OF VIRGINIA STATE CORPORATION COMMISSION

The Federal Railroad Safety Act of 1980, Pub. L. No. 96-423, authorized the Federal Railroad Administration (FRA) to expand its state safety participation program to encourage state participation in monitoring compliance with federal railroad safety standards. In order to encourage state participation, the FRA is authorized to pay up to 50% of the cost of the personnel, equipment, and activities reasonably required for each state agency to carry out investigative and surveillance activities prescribed by the FRA.

The State Corporation Commission, in reliance upon federal legislation and FRA encouragement, initiated a comprehensive program to assist the FRA in implementing and enforcing FRA track safety standards. The Commission supported enabling legislation which was enacted by the General Assembly in 1981, Acts of the Assembly, Chapter 363. The Commission in carrying out its program has been certified by the FRA and has hired two track safety inspectors.

It now appears that the Office of Management and Budget (OMB) is recommending that FRA funding for the state participation program be eliminated in the federal budget for fiscal 1983. The purpose of this letter is to go on record strenuously opposing OMB's position not to request funding for the joint federal state participation program. Virginia, like most other states, has expended considerable resources in implementing the track inspection program only to have the Federal government threaten to withdraw funding in "mid-stream". Virginia has indicated its interest in the program by appropriating 50% of the cost to administer federal safety standards. We think it only fair that the federal government fund at least 50% of the cost for administering the federal government's own safety regulations. To abandon funding at this point would not decrease the cost of administering the federal safety program as the OMB indicates, but would increase the cost to the federal government of implementing federal safety standards. If state funding for the program is not continued, many states will be forced to abandon its effort to participate in the federal safety program, thereby increasing the cost of carrying out safety inspections to the federal government by requiring the FRA to bear the entire cost of administering the program, without any state contribution.

For the foregoing reasons, we respectfully request your assistance and support for federal funding of the joint federal state safety program for fiscal 1983. Elimination of state funding not only appears to be contrary to the administrations proposals in reducing non-essential programs, but, could jeopardize the safety and security of railroad employees and citizens who use rail service or live in the vicinity of rail lines.

Sincerely,

Preston C. Shannon

SUBCOMMITTEE RECESS

Senator ANDREWS. The subcommittee is recessed.

[Whereupon, at 12 m., Wednesday, April 21, the subcommittee was recessed, to reconvene at 10 a.m., Friday, April 23.]

DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1983

FRIDAY, APRIL 23, 1982

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 10 a.m. in room 1318, of the Everett McKinley Dirksen Senate Office Building, Hon. Alfonse M. D'Amato presiding.

Present: Senator D'Amato.

DEPARTMENT OF TRANSPORTATION

URBAN MASS TRANSPORTATION ADMINISTRATION

STATEMENT OF ARTHUR E. TEELE, JR., ADMINISTRATOR

ACCOMPANIED BY:

CHARLES A. GARGANO, DEPUTY ADMINISTRATOR
CAROLE A. FORYST, ASSOCIATE ADMINISTRATOR FOR BUDGET AND POLICY
KENT WOODMAN, CHIEF COUNSEL
RAYMOND J. SANDER, EXECUTIVE DIRECTOR

SUBCOMMITTEE PROCEDURE

Senator D'AMATO. The subcommittee will come to order. Today we are to hear testimony from the Urban Mass Transportation Administration concerning its fiscal year 1983 budget submission. We are pleased to have with us Mr. Arthur Teele, Jr., the Administrator of UMTA, who I might add has done an excellent job, given the circumstances surrounding the budget cutbacks and the administration's overall policy. In spite of that he has labored mightily to make the best of a very difficult situation.

Today's testimony and questioning will address national mass transit policy issues, budget proposals for mass transit programs for fiscal year 1983, and UMTA operations.

Mr. Teele, your current budget request, as I understand it, is for $3.15 billion. I am sure that you realize that elements of your program, as well as your budget proposal, are of great interest to members of this subcommittee. I, therefore, invite you to proceed with a summary of your statement and the introduction of your colleagues.

I might add that I had the opportunity to review your very extensive presentation, and that is why I have asked that you summarize it today. I find parts of it interesting. I find parts of it rather difficult to accept. I think that the members of this subcommittee and of the Banking and Urban Affairs Committee, of which I am also a member, will also find parts of it difficult to accept.

But be that as it may, we would invite you to proceed with a summary of your statement and introduction of the witnesses.

INTRODUCTION OF ASSOCIATES

Mr. TEELE. Thank you, Mr. Chairman, members of the committee staff. I am here today to present the fiscal year 1983 budget request of the Urban Mass Transportation Administration and to respond to your questions.

With me today is a gentleman who is no stranger to the chairman, Deputy Administrator Charlie Gargano——

Senator D'AMATO. Who I might add for the record is a fellow New Yorker and in addition, comes from a place that I have heard of called Long Island.

Mr. TEELE [continuing]. Associate Administrator for Budget and Policy, Carole Foryst; Chief Counsel, Kent Woodman; and Executive Director Ray Sander.

Mr. Chairman, you have asked me to summarize my remarks, and therefore you have thrown the entire presentation into a tailspin because I had hoped to be able to read the entire 33 pages into the record.

Senator D'AMATO. I will leave you with the recorder. We will come back in about 45 minutes. [Laughter.]

Mr. TEELE. But I have submitted a detailed introductory statement, Mr. Chairman.

PREPARED STATEMENT

Senator D'AMATO. And that statement will be put into the record in its entirety.

[The statement follows:]

STATEMENT OF ARTHUR E. TEELE, JR.

Mr. Chairman and members of this Subcommittee, it's a pleasure for me to appear before you to present the Urban Mass Transportation Administration's Fiscal Year 1983 budget request and to respond to your questions. The budget we have prepared steers what I believe is an appropriate and prudent course that reconciles the financial needs of the transit systems and the economic needs of our Nation.

In this statement and in my efforts to respond to your questions, I will address the major concerns expressed by individual members of this Committee during the past year. I am aware of your continuing interest in the following issues: the Federal role in the provision of operating assistance; the new starts policy; Advanced Group Rapid Transit; regulatory reform; transit productivity improvement efforts; the goals and benefits of our research and development program; and the reorganization of UMTA, to mention only a few.

This morning I will also discuss the philosophical basis as well as the policies that provide a framework for the FY 1983 program levels we are proposing. I will also demonstrate that our FY 1983 budget request is consistent with this Administration's proposal to reshape Federal and local responsibilities in the provision of mass transportation assistance.

In that sense, this is a transitional budget. Consequently, comparisons between FY 1982 budget levels and those we are proposing for FY 1983 could be misleading. I respectfully caution the members of this Subcommittee to take careful cognizance of our efforts to reorder the priorities of the national public mass transportation assistance program and the impact of such efforts on this budget.

With your indulgence, before I address the specific elements of our budget request, I will discuss briefly the pending legislative proposals that carry profound long-term implications for the future of the Federal Government's role in the provision of mass transit assistance.

FORMULA GRANT LEGISLATIVE PROPOSAL

During our efforts to prepare a legislative proposal for the reauthorization of the Urban Mass Transportation Act, we considered the feasibility of restructuring the means by which we deliver transit capital assistance. We determined that, for a number of reasons, a formula grant approach would be preferable to the basic discretionary format we now use.

The capital formula grant proposal we have developed and presented to the Congress will form the core of the Federal mass transit assistance program. It will cover most capital aid categories, planning, and related activities. Consistent with President Reagan's announced plan for economic recovery, we are proposing that no new rail construction be eligible under the formula grant program, except for projects covered by Letters of Intent, full funding contracts and projects within the federally agreed upon scope of the Washington Metropolitan Area Transit Authority. Proposed funding levels for capital formula grants will be 90 percent of the Administration's currently proposed FY 1983 budget levels for the Section 3 Discretionary Program and the Section 5, Tier IV Formula Program. Under our proposal, the discretionary program will be a means of servicing special capital needs which cannot be met through an annual formula.

We propose a similar formula grant approach to provide capital assistance for our Nation's smaller communities and rural areas. Funding levels and the delivery mechanism for all remaining program elements--Interstate Transfer, Sections 6, 10 and 11, and administrative expenses--will be handled as they are at present, as would the phase-out of Section 5 operating subsidies.

The principal general benefits of our proposal are reduction or elimination of Federal regulations and requirements, enhanced predictability in funding, and greater flexibility for state and local governments. We believe a formula allocation approach to Federal mass transit assistance has numerous positive impacts that will accrue to the benefit of both providers and users of mass transit service.

Clearly a capital formula grant will reduce the confusing complexity of applications for assistance, thereby ameliorating the paperwork burden at all levels of government. Under our proposed capital formula program, a recipient would develop one application which may cover a range of capital activities. Thus, the grantee will receive a single annual program grant for all project activities within the area, in lieu of the current grant-by-grant approval process for each project.

The proposal will also reinforce state and local planning and budgeting processes which have become unduly complicated under the discretionary grant process. State and local governments will have much greater programmatic flexibility under the capital formula program. Such flexibility will promote, in my judgment, locally oriented innovation in response to unique local conditions and unique local problems.

A capital formula grant will contribute to regulatory reform by facilitating the elimination of intrusive, unnecessary, and counterproductive Federal regulations. Specifically, our proposal provides for local self-certification that recipients are meeting or complying with Federal mandates in the following areas: legal, financial and technical capacity requirements; competitive bidding and public involvement requirements; and requirements under the National Environmental Policy Act of 1969; the Uniform Relocation Assistance and Real Property Acquisitions Act of 1970, the Davis-Bacon Act, the National Flood Insurance Act of 1968, and the Buy America provision of the Surface Transportation Assistance Act of 1978. In addition, under the proposal, grantees will assume more responsibility for financial review and audit functions consistent with OMB Circular No. A-102.

At the same time, however, we have proposed that the Department of Transportation and UMTA retain responsibility for private enterprise, charter and school bus assurances, and civil rights responsibility pursuant to Title VI of the Civil Rights Act of 1964.

Self-certification procedures are consistent with the Administration's commitment to minimize Federal intrusion while still maintaining the level of scrutiny necessary to ensure that important Federal interests are protected. We believe this is a reasonable and responsible approach to regulatory reform.

Finally, the new capital allocation formula can be used to distribute funds on a more equitable basis than the discretionary structure. The discretionary structure permits and, indeed, invites the dissemination of funds based on political considerations or grantsmanship instead of genuine local needs or local capacity to support new levels of operation and service.

I have briefly outlined the skeletal framework of the legislation I will be discussing in greater detail with the authorizing committees. I look forward to consulting with you and your staffs as final action is considered by the Congress.

FY 1983 BUDGET

Permit me to now focus on the specifics of the FY 1983 budget we are now presenting for your consideration. Let me emphasize, this budget is based on our existing authorizing legislation rather than our proposed legislation. When I appeared before the Congress last year I outlined this Administration's objectives for the Federal transit assistance

program and I explained what we perceived as the appropriate roles and responsibilities for Federal, state and local governments.

During those hearings I stated that:

- "We propose to defer the funding of new rail starts and extensions at least until the condition of the economy improves."

- "It is our policy...to discontinue the Federal role in operating assistance."

- "We are reviewing, revising, or eliminating the regulations which impose a burden on local transit operations."

During the past year we have monitored our progress in meeting our objectives. I am pleased to report that we have made important strides to reach the objectives I outlined last year. The budget we are proposing for FY 1983 reflects our continuing commitment to their implementation.

CAPITAL ASSISTANCE

The budget we propose for FY 1983 continues this Administration's strong commitment to providing the capital assistance necessary to upgrade the quality of those mass transit systems which are essential components of urban infrastructures. This policy recognizes, both explicitly and implicitly, that the economic vitality and viability of many, if not all, of our Nation's largest cities depend on mass transit remaining a serviceable and effective transportation mode. Accordingly, we recognize and we are responding to the need to replace rolling stock and to maintain facilities in safe, reliable operating condition.

We propose a budget of $1,756,000,000 for the three basic capital programs (bus, rail, and formula bus) during FY 1983 as opposed to the $1,739,800,000 we are providing for the same programs during the current fiscal year. This budget proposal entails a $16.2 million increase from the current fiscal year in our overall capital program. The total request for this program includes $520 million in Section 3 discretionary funding for buses and bus-related investments, $861 million in Section 3 discretionary funding for rail rehabilitation and modernization, and $375 million in Section 5, Tier IV formula funding for bus and bus-related investments. An increase of almost 13 percent in the Section 5, Tier IV formula bus category accounts for virtually all of the overall increase we are proposing for the basic capital program. The formula bus category

is vitally important because it is the principal source of capital funding for the vast majority of our Nation's transit systems.

Although this is a modest increase, during a time of significant reductions in domestic Federal spending, our capital budget demonstrates a commitment by this Administration to meeting the need for transit investment capital. We believe, therefore, that given the current fiscal restraints, the mix of capital funding we are proposing will best meet the basic needs of the American mass transit industry. Our FY 1983 UMTA capital assistance budget is consistent with the Administration's determination to defer new start and guideway extension projects, at least until the national economy improves, except for those projects already under construction and those Congress has directed us to initiate.

Our total request for the Urban Discretionary Program is $1.56 billion. This total includes: $861 million for bus and bus facilities; $520 million for rail modernization projects; $120 million for new starts; $50 million for planning; and, $10 million for innovative techniques.

INTERSTATE TRANSFER/STARK-HARRIS

The FY 1983 budget estimate includes $400 million for the transit portion of the Interstate Transfer Grant Program. Funds for substitute highway projects will be requested directly by the Federal Highway Administration. As a result, no funds are requested in this section for substitute highway projects.

The requested $400 million will be needed for rail transit extension, new start, rail modernization or bus projects in cities such as Washington, D.C., Boston, New York, Portland, Chicago and Baltimore. While several projects, such as the extension of the Red Line in Boston, will be nearing completion, several other projects, such as a major transit improvement in Chicago's Southwest Corridor, will be gearing up for construction. Therefore, the $400 million will be utilized to fund the continuation of several projects and the initiation of other rail transit and bus projects.

Our total request for Stark-Harris funds is $100 million, to be applied towards construction of the Washington Metrorail, subject to a determination by the Secretary of stable and reliable funding sources to meet the system's operating needs.

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OPERATING ASSISTANCE

This Administration remains firmly committed to the principle that responsibility for the day-to-day operation of local transit systems, including necessary financial assistance, can be handled best at State and local levels of government. Thus, the proposed FY 1983 UMTA budget implements the second stage of this Administration's gradual elimination of the Federal operating assistance program.

We are proposing $640 million in the three tiers which are eligible for operating assistance. This compares with the $1.036 billion that was appropriated for FY 1982 and the $275 million we plan to request for FY 1984.

We believe the operating assistance program has generated unwarranted expectations as to levels of service local governments can realistically afford to provide. It has unduly distorted the collective bargaining process. The operating assistance program has served as a disincentive for local governments to seek out and implement the operating efficiencies necessary to reduce costs. And, the operating assistance subsidies have obviated the need for local governments to make the politically difficult decisions necessary to bring operating costs into line with revenues and with local and State support.

As the members of this Subcommittee well know, operating costs are a product of local conditions and local decisions. Levels of service, routes, labor agreements, retirement policies, hours of operation, administrative costs, salaries and benefits, and fare-box policy are all determined locally. So long as the Federal Government underwrites the difference between local contributions and the overall cost of operating a transit system, there is little incentive for transit operators to hold these costs down.

We recognize that the process of weaning local systems from Federal dependence will not be painless. That is why we have announced and proposed a total 4 year phased elimination of the operating subsidy program. The phase-out will be completed by the end of Fiscal Year 1984. This extended lead time coupled with strong Administration jawboning and stepped up technical assistance in the management field has been consciously designed to give localities the notice and extended planning time necessary to prepare to assume full responsibility for running their transit systems. It is an approach that will compel local communities to take a realistic look at their transit systems and to determine what they

can and cannot afford. It is an approach that will require local communities to determine how important transit is and how much they are willing to charge or pay for the levels of service they choose.

Mr. Chairman, this Administration strongly opposes the continuation of operating subsidies.

During the past year we have witnessed the emergence of an encouraging and constructive attitude as local officials adjust to the operating assistance phase-out. Transit agencies throughout the country are taking steps to tailor service and to reduce costs consistent with local levels of support for transit. At this time, let me publicly commend transit managers for their bold and imaginative leadership in making adjustments as the subsidies are phased out.

We have a keen appreciation of the difficulties this transition will no doubt impose on some local communities. And, I will outline for you the measures we have taken at UMTA and those efforts by the Administration that are designed to reduce costs at the local level.

First, I believe the transit industry is beginning to feel positive effects from this Administration's efforts to bring the intolerably high rate of inflation under control. We are all aware of the considerable financial strains local transit systems have experienced in recent years. These strains can be attributed to a double-digit inflation rate which has driven the costs of labor, spare parts, fuel, and other factors of production to levels that simply could not be off-set by revenues or any feasible increase in operating subsidies.

Many transit managers and local elected officials have struggled to hold down costs. They are to be commended, as are those labor leaders and transit workers who have recognized the punitive toll extracted by inflation and have negotiated collectively in the spirit of bringing costs under control so that all parties--labor, management, taxpayers, and passengers--actually benefit from more sensible labor rates and work rules.

I repeat: I believe this Administration is doing its part to further curb increases in transit operating costs. The signs of the decreasing rate of inflation are already evident. The operating costs of the transit industry as a whole were about $6 billion in 1981. We have succeeded in reducing inflation as shown by a reduction in the rate of increase of the consumer price index from 12.6 percent in 1980 to 9.5

percent in 1981. This reduction and the even greater reduction we are currently experiencing will have a significant impact on reducing operating costs. For example, here in the Washington area, the Washington Metropolitan Area Transit Authority estimates that this year alone the decline in inflation will reduce previously estimated cost of living allowances by $8 million. We believe the President's Economic Recovery Program is our best, most realistic hope for restoring the financial good health of State and local government as well as the transit industry.

In that regard, permit me to make a final observation. Our efforts to reduce inflation and any real benefits these efforts will bring to the transit industry are contingent on the development of a new partnership to address mass transit's operating cost problems. Any success will be due to the efforts of management and labor to increase transit productivity. These efforts are certainly in everyone's long-term interest. Sacrifices and commitments to improved productivity are preferable to the job losses that may occur if we are unable to respond to this challenge.

At UMTA, we are working to reduce the cost to grantees of doing business with us. The inordinate and unnecessary size of grant applications has been reduced significantly, and we have implemented procedures to insure that all operating assistance applications will be processed routinely within 30 days from the time they are submitted. We are developing a grant application process for capital assistance that will permit different projects from a single locality or segmented phases of one project to be served by one basic set of application materials. This, we believe, will greatly reduce redundancy in the grant application process.

We have implemented a certification process for local procurement procedures that will result in significant time and cost savings for our grantees. These reforms will, to the extent legally permissible, get the Federal Government out of the business of looking over our grantee's shoulders in routine procurement matters. Basically, our review will determine if a grantee is qualified to award third party contracts using Federal funds without pre-award review and approval of the proposed contract by the Federal Government.

We have mobilized a technical assistance capacity to provide help to localities in the identification of cost-saving approaches in service modification and management improvement. We are marshalling an extensive

library of publications, Section 15 data, our technical expertise, and that of the transit industry in a concerted effort to provide positive assistance in meeting local transit managers' needs for better techniques and methods to strengthen system operations and management.

When this Administration took office in January 1981, UMTA had 14 specific regulations affecting its program with 25 more in various stages of development. We have since withdrawn 3 existing UMTA regulations, clarified 3 others, and eliminated 20 of those previously under development. Our efforts to successfully develop and implement a less costly approach to meeting the requirements of Section 504 of the Rehabilitation Act of 1973 have resulted in considerable savings to grantees when compared with the original requirements of this regulation.

The Section 504 issue is important. We are sensitive to the mobility needs of our Nation's handicapped citizens. We believe our public mass transportation systems must be accessible to those citizens. We do not, however, believe the Federal Government is capable of imposing the perfect solution for all local transit agencies to use in meeting the needs of their handicapped riders. As a result, we have adopted an approach that requires localities to certify they are meeting handicapped transit needs but allows each locality the flexibility of determining how the needs of its handicapped citizens can be met best. UMTA's continuing responsibility for enforcing these requirements will be carried out as part of the monitoring of project implementation.

RESEARCH, TRAINING AND ADMINISTRATION

Generally, for research, training and administration we are proposing a budget of $74 million. This category provides for research, development and demonstrations, safety, university research and training, managerial training, as well as UMTA administrative costs.

RESEARCH AND TRAINING

Our research, demonstration, and training programs are oriented toward technical assistance to the transit industry and greater involvement of the private sector. Our FY 1983 budget proposal directs our resources toward facilitating the development of approaches that will assist local transit agencies in coping with the financial and operating problems they will face in the years ahead.

In the broad area of research, for which we are requesting $45 million, we will assist States and localities in the development of

locally oriented strategies for providing dedicated funding sources for their transit systems. We will assist localities in the development of improved pricing strategies, service allocation, and costing methods. UMTA will improve its capacity to serve as an idea bank for information and know-how that will be of service to transit managers. To the greatest extent possible, we will provide these services to grantees without cost to them.

Moreover, we will continue to pursue development of technological advances which promise short and medium term results and in which the private sector is not willing to fund research. Our goal with regard to technology development is to encourage the manufacturing and supply industry to take the lead in developing its technological improvements with government supporting this activity where there are potential benefits to transit.

An example of how we hope to redirect UMTA research and training activities has been completed recently in Miami. A peer group of transit experts has conducted an UMTA-funded review of cost overruns incurred during the development of the federally funded rapid rail system there. The study demonstrates that the transit industry has an informal technical assistance capability that should be made more readily available to individual operators and local elected officials. It can be utilized to help resolve local problems for responsible officials who are in a position to implement suggestions and recommendations. UMTA intends to promote greater reliance on this approach and we will target research and training dollars to that end.

ADMINISTRATIVE EXPENSES

The level of administrative expenses we propose ($29.075 million) is necessary if we are to continue our efforts to improve both the efficiency and effectiveness of the UMTA organization. As you know, we have recently completed a very painful readjustment process within UMTA. This process was prompted by the widely recognized need to improve UMTA's responsiveness and accountability, by requirements to reduce our staff ceiling to accommodate Government-wide FY 1982 reductions, and by other Congressional guidance.

During my tenure as director of the DOT transition team, before I was appointed as UMTA Administrator, UMTA's organizational problems were described to me as urgent and as requiring rapid resolution. There were numerous internal DOT studies and external reports that cited a variety of significant management and programmatic problems in the agency. As a

result, when I became Administrator I established an in-house working group and I commissioned it to study UMTA's problems and to prepare recommendations for their resolution.

I appointed a working group composed of career UMTA personnel because I believed they best understood the organization, its problems, and the most effective means for resolving those problems. Although the working group was not charged to develop a reorganization recommendation, it described problems which I believed could be substantially overcome only by restructuring the agency.

In February 1981, we were informed that UMTA's FY 1981 end of year ceiling was reduced from 630 to 573.

In August 1981, we were notified that UMTA's authorized positions would also be reduced during FY 1982 consistent with the Department's employment reduction. Additionally, we were faced with a significant reduction in our appropriation for administrative expenses and we received guidance from the Congress that personnel reductions should be confined primarily to the headquarters staff in Washington as opposed to the regional office staff. At this time, I must digress briefly to express my appreciation for the efforts of this Subcommittee and especially Chairman Andrews for your consideration in providing a measure of relief by permitting us to use de-obligated Section 6 resources to off-set the administrative costs of the Section 6 programs which are normally covered by administrative expenses. Without your consideration and cooperation the impact on UMTA would have been absolutely devastating.

Let me return to the subject of our reorganization. Based on the recommendations of our working group, and cognizant of the need to reduce the size of our agency, we have developed and implemented a reorganization plan that has enabled us to reduce the size of UMTA while more effectively meeting the needs of the transit industry and, ultimately and most importantly, of the citizens it serves.

The major features of our reorganization include:

- Designation of the Deputy Administrator as the chief operating officer for our regional office activities. This will ensure top-level consideration of and priority for actual program delivery to the transit industry.

- Appointment of a career Executive Director who can provide needed and essential continuity through transitions affecting UMTA political appointees. The Executive Director has assumed day-to-day management responsibility for most of the headquarters staff.

- Aggregation of all research, development, demonstration, safety, and training activities under a single Associate Administrator to encourage the exchange of ideas and information among personnel responsible for these complementary areas. This will also improve the quality of technical assistance we are able to offer the transit industry.

- Unification of planning and transit assistance programs under a single Associate Administrator. This will facilitate the long overdue integration of these program components.

- Creation of an Office of Financial Management to strengthen fiscal control and to facilitate timely monitoring of UMTA funds.

- Consolidation and transfer of the functions and staff responsible for correspondence and briefing papers to the Executive Secretariat to satisfy demand for rapid responses. This will free program officers to better focus their attention on program management responsibilities.

In addition to the above-mentioned changes in our organizational structure, we have implemented the following procedural changes to enhance organizational efficiency and to improve service delivery.

- Establishment of a cost center financial management system to facilitate greater control over administrative expense levels.

- Creation of a Cost Avoidance, Cost Reduction and Efficiency Program which will involve every UMTA employee in efforts to reduce waste and to promote greater operational efficiency.

- Restructuring of automated data processing systems to improve managerial information in areas such as program planning and the tracking of UMTA grants, projects, and contracts.

- Implementation of a management by objectives program to give greater focus to UMTA staff work and to improve accountability of UMTA managers.

- Development of new grant tracking and release procedures designed to speed the approval and release of operating and capital grants.

We believe these measures, as I said, are enabling UMTA to be much more responsive in our dealings with our grantees and to the public. The efforts we have made to reorganize and restructure our agency have clarified lines of responsibility, authority, and accountability. I'm confident this new organization will better serve you and your constituents.

SIGNIFICANT ISSUES

Before I report our achievements in responding to specific Congressional directions, there are several issues we must address briefly.

LETTERS OF NO PREJUDICE

The first issue pertains to our Letter of No Prejudice (LONP) policy. We have reached an agreement within the Executive Branch under which UMTA may issue LONP's on a case-by-case basis except for those involving construction of new start rail projects.

LABOR PROTECTION PROVISIONS

I am keenly aware of this Subcommittee's continuing concern about the impact of Section 13(c) on transit labor relations and productivity problems. We are, therefore, meeting with the Department of Labor in efforts to resolve these longstanding concerns. Our goal is to develop administrative remedies for 13(c) labor protection problems.

There are a number of problems that we believe need attention. First, we want to sort out contract collective bargaining issues from 13(c) issues. For instance, Section 13(c) negotiations have been used to gain concessions normally within the purview of ordinary contract negotiations. Section 13(c) also has directly affected the outcome of contract negotiations through the imposition of binding interest arbitration on such negotiations.

Second, Section 13(c) has been used to limit the introduction of innovative transit practices and services. Section 13(c) agreements have limited innovative services such as paratransit and have prevented those

services from replacing conventional transit services despite the fact that the new services prove to be more efficient.

Third, Section 13(c) has been used to restrict private sector initiatives to meet transit needs. Section 13(c) agreements have prevented the contracting out of services to the private sector, thereby preventing their involvement in mass transportation as set forth in Sections 3(e) and 8(e). Sections 3(e) and 8(e) require local transportation programs to encourage the participation of private enterprise to the maximum extent feasible. Since Federal funds flow to private carriers only through public bodies, prohibitions on contracting out services present a real obstacle to involving private enterprise in federally assisted mass transit programs.

Finally, we believe it important to redirect 13(c) applications to the section's original goal of protecting individual employees from adverse project impacts. Section 13(c) has allowed transit unions to conclude agreements where the size of the collective bargaining unit may not be reduced whatever the cause. In these times of constrained local resources, we believe Section 13(c) imposes a burden not experienced in other industries and certainly not intended originally by the drafters of 13(c). Section 13(c) was established to protect individuals, not bargaining units.

Our discussions with the Department of Labor on these issues have been very encouraging and we are hopeful that significant reforms will be in place shortly.

In addition to the administrative approaches we are pursuing, we are recommending legislative changes to: eliminate 13(c) coverage for the proposed capital formula program; shift authority for making 13(c) certifications from the Secretary of Labor to the Secretary of Transportation; and exempt employees of private mass transit providers from Section 13(c) coverage.

As evidence of our long-term commitment to help management and labor address issues of mutual concern, UMTA will sponsor a conference in the near future during which leaders from the transit industry and organized labor will be invited to explore some of the key labor-management issues facing the transit industry in the 1980's.

The purpose of the conference is to promote a dialogue between transit industry policymakers and organized labor concerning labor-management issues which are products of today's transit changing

environment. Adjustments in the way transit systems are operated are inevitable. Consequently, we believe it is important for labor and management to approach a number of subjects of mutual interest.

Rural and Small Community Assistance

The issue of assistance to non-urbanized areas is vitally important because of our continuing commitment to transit activities in rural areas. In our legislative proposal, we have established a separate formula grant to meet the transit capital needs of these communities. We are recommending some $75 million annually to fund both the current Section 18 program (which includes operating subsidy eligibility and will be phased out by 1985) and the new non-urbanized area capital formula program. This parallels the approach we are recommending for urban areas whereby Section 5 operating assistance will be phased out simultaneously with the introduction of the new formula allocation funding approach.

In developing our original proposal for terminating operating assistance for Sections 5 and 18, we believed that a one year transition period for Section 18 would be adequate for the smaller communities, thereby eliminating operating assistance at the end of FY 1982. Let me note that at the end of FY 1981, the program had a cumulative carryover of $96 million. We anticipate a cumulative carryover of $78 million at the end of FY 1982. We had estimated that $43 million of the available unobligated carryover will be obligated in FY 1983. The balance will be available until it is either expended or lapses. This program, in my judgment, has had an uneven impact in that some states have participated only minimally despite an allocation of funds since 1979. Therefore, the FY 1983 budget includes no new budget authority for this program.

Section 15 Reporting System

The development of the Section 15 reporting system is a strong and important advance in the maturing of public transit as a major public sector activity. For the first time, we now have comprehensive data about transit performance available. The Section 15 Reporting System will be especially valuable for local decisionmakers--transit board members, elected officials, and other policymakers. The data generated by the Section 15 system enables policymakers to understand and analyze their transit systems in a comparative context with similar systems nationwide. We believe this data will promote better informed judgments about local issues. Policymakers can determine, for example, if the cost of providing a revenue mile of bus service in a given city is above or below the national average, and by how much. This, in turn, will help

policy-makers identify problems with specific elements of operating costs. They can then better focus their attention on the problems. And as the Section 15 system itself matures, it will give an individual transit system an effective record of its own performance, and a means to establish managerial goals and objectives, and to measure local success in their achievement. The Section 15 Reporting System is an important tool and the submission of this data must be continued. We will soon conduct a series of seminars to inform decisionmakers of the value and importance of this data in improving local transit's efficiency and effectiveness.

CONGRESSIONAL DIRECTIVES

Mr. Chairman and members of the Committee, as the final element of my testimony I proffer a report on UMTA's compliance during the past six months in responding to specific Congressional directions provided by the Appropriations Committees during action on our FY 1982 budget request and by the FY 1982 Department of Transportation and Related Agencies Appropriations Acts, 1982.

Highlights of specific directives in the FY 1982 Appropriations Act follow:

Evaluation of Standardization and Life-Cycle Costing

A Federal Register Notice implementing the congressional requirement to evaluate performance, standardization and life-cycle costing (LCC) in rolling stock procurement appeared on February 18, 1982, and was amended on February 25, 1982. UMTA and some of its grantees have conducted LCC bus procurements using a sophisticated technique which may be too difficult for most transit agencies to use. A simplified LCC procedure has been developed and is being circulated to the Congress, transit operators and manufacturers for comment. Initial concerns are that LCC may contribute to disruptions in the bus marketplace.

High Speed Waterborne Demonstration Program

We have issued requests for proposals on January 12, 1982, and the contract is expected to be awarded in June 1982. The contract will support UMTA's survey and analysis of high speed waterborne public passenger transportation.

Miami Circulator Letter of Intent

The Letter of Intent for the Miami Circulator for $66.1 million was transmitted to the House and Senate Appropriations Committees for review on February 18, 1982, and was issued by UMTA on March 23, 1982.

Portland Letter of Intent (Non-rail)

A Letter of Intent for non-rail projects in Portland was submitted to the House and Senate Appropriations Committees on April 12, 1982, for the 30-day review period.

Detroit Central Automated Transit System Letter of Intent

UMTA, by letter of August 4, 1981, to Governor Milliken, reaffirmed the Department's $600 million commitment to Detroit. The Department has awarded $19,027,004 to Detroit under this commitment for the Central Automated Transit System, and preliminary engineering for light rail and commuter rail.

A Letter of Intent in the amount of $109 million for the Central Automated Transit System was submitted to the House and Senate Appropriations Committees on February 18, 1982, and was issued by UMTA on March 23, 1982. Under the proposed drawdown schedule approximately $20 million will be provided this year; $10 million was provided previously; and the remaining amount ($79 million) will be provided in annual increments (not equally) through 1985.

Non-Urban Formula Grants: (Section 18)

FHWA issued the Apportionment Notice in the Federal Register on February 18, 1982. Funds were apportioned one-half based on the 1970 census and one-half based on the 1980 census.

Urban Formula Grants

In accordance with the FY 1982 Appropriations Act, the $1.365 billion appropriation for Section 5 urban formula grants was apportioned one-half on 1970 census data and one-half on the 1980 census data. These apportionments were published in the Federal Register on March 22, 1982.

Koch Amendment (Half-Fare Provision)

No specific action was required. The preferential fare system for elderly or handicapped persons in existence in New York City is considered in compliance with the intent of the half-fare provision.

Interstate Transfer Grants - Transit

Earmarked amounts for each urbanized area have been reduced by their pro-rata share of the $10 million reduction. No deferral of funds is proposed or anticipated.

The following grants have already been made:

Boston	$8.0 million
Baltimore	$6.9 million
Portland	$44.2 million

Commuter Rail Service

The Secretary has delegated to UMTA the authority to make the $15,000,000 grant to the Northeastern Illinois Regional Transportation Authority (RTA). UMTA has consulted with the State of Illinois and RTA to determine what terms and conditions will apply to the grant. The grant approval and release is imminent.

An amount of $45 million was appropriated for transfer of commuter rail operations from Conrail to other operators. On February 4, 1982, FRA and UMTA promulgated joint regulations covering the distribution of these funds.

Of the $45 million appropriated for the transfer of commuter rail operations from Conrail to other operators, $7.5 million is available immediately to Amtrak Commuter Services and the five affected commuter authorities. On March 12, 1982, Amtrak Commuter Services received a grant for $650,000. As of April 22, only one commuter authority had applied for such assistance.

The following issues were specifically mentioned in the Conference Committee Report accompanying the FY 1982 Appropriations Act or were expressed as Conference Committee directives by Chairman Andrews on the Senate floor.

Let me note that, as directed by the Conference Committee, we have complied, to the maximum extent feasible, to the specific earmarkings and directives contained in the Conference Report and Statement of Managers.

Section 17

Following transfer of the $11 million of Section 17 balances we have made one additional grant for $366,658 to the Northwestern Indiana Regional Planning Commission and we are taking all other actions necessary to terminate the program.

New Jersey Transit is the only authority which has had a problem in determining specific costs. We have worked closely with New Jersey Transit and on April 7, 1982, I informed them that UMTA would not request a return of any of the Section 17 funds that the New Jersey Department of Transportation paid to Conrail.

Urban Discretionary Grant Reductions

Consistent with Congressional guidance, we have made across-the-board reductions in the Section 3 program. However, prior to these instructions, two grants for new start projects were awarded consistent with Letters of Intent. We are requesting a general reprogramming authority for FY 1982 which would allow us to fund all of these grants at the Letter of Intent levels. Should the Subcommittee decide against the reprogramming flexibility, we are prepared to make appropriate adjustments to the existing grants.

Gary Maintenance Facility

FY 1982 funds have been reserved for design and construction of a bus maintenance facility in Gary, Indiana. UMTA has not yet received the grant application.

Obligation Schedule

In accordance with the Conference Report, the rate of FY 1982 capital program obligations is being limited to quarterly rates of 20 percent, 20 percent, 20 percent and 40 percent.

Detroit Riverfront West Project

On March 23, 1982, UMTA issued a $5.5 million Letter of Intent for the Detroit Riverfront West project. On March 26, 1982, we transferred $5.5 million of UMTA money to the Department of Housing and Urban Development to combine with Urban Development Action Grants in order to expedite the proposed project. This project will be funded from the rail modernization category.

Personnel Reductions

Consistent with the direction of the Conference Committee, all necessary personnel reductions were made at Headquarters.

Buy America

Pursuant to the FY 1982 Conference Report, we are continuing to follow the FY 1981 Conference Report language which allows states to utilize more stringent Buy America requirements than those imposed by Section 401 of the Surface Transportation Assistance Act of 1978. I have discussed this issue in detail with Special Trade Representative William Brock, with particular emphasis on the problem as it relates to Canada. I have scheduled a meeting with Assistant Secretary of Commerce Raymond J. Waldmann to insure coordination of our efforts with those of other agencies. UMTA is analyzing comments received on alternative methods of enhancing domestic protections. We may initiate further rulemaking action based on that analysis. We have asked our regional counsels to monitor state preference provisions.

Banfield LRT Project

The Banfield LRT project will cost a total of $239 million in UMTA funding. With the exception of $8.9 million in approved Section 3 funds, all of the Federal funding will come from Portland's Interstate Transfer account. The expected completion date for the Banfield project is early 1986. A full funding contract agreement for the entire Banfield project, including funding transit related highway improvements, was issued to Tri-Met on March 26, 1982.

Alternatives Analysis

Current Administration policy is to defer detailed planning, engineering and construction of new rail transit facilities at least until economic conditions improve, unless a given urban community has

sufficient Interstate Transfer and non-UMTA funds to construct them. At the behest of the Congress in the Conference Report on the Fiscal Year 1982 DOT Appropriation Act, UMTA is considering how this policy might be changed to allow financial support for alternatives analysis studies including rail options in a selected few cases where preliminary planning suggests that such investments might be cost-effective. Though informal discussions have occurred on the subject with representatives from a number of local agencies, (e.g., Seattle, Boston, Twin Cities, Orange County, California, and San Francisco) as of April 22 no new formal requests to initiate Alternatives Analysis involving rail options have been received. In any case, UMTA is providing technical assistance to all studies on request, regardless of the alternatives being studied or the funding source.

Highlights of our responses to Senate Committee guidance are provided below:.

Georgetown Project

Consistent with the Senate Appropriation Committee's guidance, we issued a grant for $1.4 million to Georgetown University on November 18, 1981, for an advanced technology exemplar project. An additional $600,000 is scheduled for the near future, pending completion of environmental requirements.

Orange County Alternatives Analysis

UMTA is now providing technical assistance to Orange County Transit District including the review of technical documents.

Goals and Objectives

In line with both Committee's concern for more clearly defined UMTA goals and objectives and for a better coordinated research program, the missions and functions of UMTA have been reexamined and clarified. A set of specific goals implementing objectives and milestones has been developed for calendar year 1982. UMTA has reorganized its research and training activities to place them all under one Associate Administrator.

UMTA Effectiveness

In consonance with the concern of the Senate and House Committees about the effectiveness of UMTA in administering a multi-billion dollar program and in response to the Senate Committee's concern about the ratio of

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staff between headquarters and the field, we have reorganized UMTA to improve management effectiveness and reinforce decentralization. The reduction in force took place in Headquarters and this has enabled us to increase the on-board strength in our Regional offices.

For your information I will also provide highlights of our responses to House Committee guidance.

Investigations of Safety Hazards

Pursuant to Chairman Benjamin's advice, we have contacted the National Transportation Safety Board, Federal Railroad Administration, National Highway Traffic Safety Administration, Federal Highway Administration, Occupational Safety and Health Administration, and the U.S. Coast Guard to determine their authorities and enforcement responsibilities. Based on this information, we are now developing a framework for our appropriate role and responsibility. We believe that primary responsibility for the maintenance of safety should rest with States and local transit agencies.

504 Regulation

On July 20, 1981, DOT published an interim final rule on 504 which deleted accessibility requirements. Instead, the interim final rule requires grantees to certify special efforts are being or will be made to provide transportation that handicapped persons can use. The comments received on the interim final rule are now being reviewed. A Notice of Proposed Rulemaking will be issued in the fall of 1982.

Los Angeles Wilshire Boulevard and Guadalupe Corridor Projects

For the preliminary engineering effort for the Los Angeles rail transit Wilshire line, we plan to provide at least $9.8 million this fiscal year. Including $12 million provided in FY 1980, this will increase our grant to $21.8 million. Additional funds from the deobligated Los Angeles DPM project may also be provided.

For the Guadalupe Corridor Project, we are currently working with Santa Clara officials to provide a grant to initiate work on preliminary engineering for this project.

Buffalo Mall

We have reached an agreement with Buffalo to finance the construction of the expanded downtown mall. Additional UMTA funds over the Letter of Intent levels will be available to finance the bus transit related components of the mall.

Cost Overruns and Extraordinary Costs

We are complying with House Committee instructions to refrain from making grants to fund cost overruns in projects covered by full-funding contracts that are in excess of extraordinary costs already provided for in the contract. For projects covered by full funding contracts, UMTA recognizes only those extraordinary costs specifically covered in the contract.

Grants for Rail Areas

UMTA has reviewed and revised the bus program in major cities to provide greater equity, as requested by the committee. A report of our progress has been submitted for your review.

Technology Introduction and Innovative Techniques

Pursuant to the House's suggestion, a grant for $1.8 million was given to the Washington Metropolitan Area Transit Authority on March 4, 1982, under the Technology Introduction Program.

Advanced Group Rapid Transit (AGRT)

UMTA has obligated approximately $8 million for the AGRT program and will obligate the entire amount by the end of the fiscal year. The full amount is expected to be accrued by the end of the calendar year.

George Meany Center for Labor Studies

As a result of an UMTA grant to the George Meany Center for Labor Studies, a curriculum for training sessions was developed. More than 500 local union leaders and members received training in 23 training sessions held throughout the Nation.

Conclusion

Mr. Chairman, allow me to make one final observation before I respond

to your questions. We must never lose sight of the fact that mass transit is an essential part of the urban infrastructure and represents an important element of our ability to withstand potential interruptions in our Nation's energy supply. But let me repeat: if this option is to be preserved, it is also necessary that we retain--and strengthen--the Nation's capacity to domestically produce transit buses. For that reason, we believe it may be prudent to defer additional legislative and administrative actions which artificially regulate the market place in the procurement of buses. At the funding levels provided in this budget we can maintain existing transit buses so that in the event of a future energy shortage, transit will be capable of doing its part to respond effectively.

We are convinced that this budget and our proposed legislative package can and will improve public mass transportation in our Nation. I know I share your commitment to that goal and I look forward to working with you.

Accompanying me today to help answer your questions about our program are: Charles Gargano, Deputy Administrator; Carole Foryst, Associate Administrator for Budget and Policy; Kent Woodman, Chief Counsel; and Raymond J. Sander, Executive Director.

Mr. Chairman and members of the committee, thank you for your careful and judicious consideration of UMTA's FY 1983 budget request.

BIOGRAPHICAL SKETCH

ARTHUR E. TEELE, JR., ADMINISTRATOR

URBAN MASS TRANSPORTATION ADMINISTRATION

Arthur E. Teele, Jr., was nominated to be the ninth administrator of the United States Urban Mass Transportation Administration by President Ronald Reagan on March 17, 1981. After being confirmed by the Senate, he was sworn in by Vice President George Bush on April 8, 1981. The Urban Mass Transportation Administration (UMTA) provides grants-in-aid to local public mass transit systems throughout the United States and has an annual budget of over $3 billion.

Teele, 35 years old, a Florida attorney, is a highly decorated veteran of the Vietnam War. As an Airborne Ranger, he received a Purple Heart, a Bronze Star for Valor, a Bronze Star for Service, an Air Medal with two clusters and the RVN Cross of Gallantry.

During his first year as Administrator of the UMTA program, Teele initiated and implemented a major reorganization of the agency in order to streamline and improve UMTA's ability to address changing national needs. He has eliminated unnecessary regulations and guided UMTA in a new direction consistent with the President's policy of enhancing state and local autonomy. He has focused attention on transit operations with emphasis on productivity and efficiency and has implemented the Section 15 National Reporting System, a major data base that allows local transit operators to measure their own performance and productivity.

Both President Reagan and Transportation Secretary Drew Lewis have called upon Teele to serve on several special task forces. He is a member of the White House Urban Policy Task Force and the White House Task Force on Puerto Rico. He is also serving on a working group of the Miami Crime Task Force chaired by Vice President Bush.

Immediately prior to his appointment as UMTA Administrator, Teele headed the Department of Transportation Transition Team for the Office of the President-Elect. Teele was a National Director of the Reagan-Bush campaign organization and served as a Vice Chairman of the Inaugural Committee.

Secretary Lewis has also appointed Teele to serve on the Board of Directors of Amtrak. He was an incorporator of the newly constituted Amtrak Commuter Services Corporation.

Teele is an attorney with experience in private practice. He also served nine years in the U.S. Army, rising through the ranks to become a company commander and senior aide-de-camp to the Commanding General of Fort Bragg and the VIII Airborne Corps.

Teele is a native of Florida, where he served as an advisor on human resources and labor policies to the State's Department of Administration. He was active in a wide variety of social, civic and charitable organizations.

He graduated from Florida A&M University with a Bachelor of Science degree in 1967, and received his law degree in 1972 from the Florida State University College of Law.

Teele is married to the former Celestra Patton of Birmingham, Alabama; they have one son, Arthur Patton Teele. While in Washington, D.C., Teele has accepted many local community responsibilities, including service on the Board of Wolfe Trap Farm Park.

BIOGRAPHICAL SKETCHES

CHARLES A. GARGANO, DEPUTY ADMINISTRATOR

URBAN MASS TRANSPORTATION ADMINISTRATION

Charles A. Gargano, a former Long Island, N.Y., construction executive, was sworn in as Deputy Administrator of the Urban Mass Transportation Administration (UMTA) by Secretary of Transportation Drew Lewis on September 21, 1981.

As Deputy Administrator, Gargano is responsible for the day-to-day supervision of UMTA field operations. This includes management and oversight of more than $3 billion in annual transit grants to state and local governments. In addition, he works closely with UMTA Administrator Arthur E. Teele, Jr., in implementing the Reagan Administration's transit policies.

Gargano came to UMTA from the general contracting firm of J.D. Posillico, Inc., of Farmingdale, N.Y., where he was a partner and held the position of Vice President and Director of Field Operations. He received the "Engineer of the Year Award" from the New York State Society of Professional Engineers in 1978 for designing and developing a new methodology for deep sewer construction. He also received a Meritorious Award for Community Service in 1981 from the same Society.

He is a registered professional engineer licensed to practice in New York, New Jersey, Connecticut, Vermont and Oklahoma, and holds memberships in the American Society of Civil Engineers and the National Society of Professional Engineers. In addition, he has been a Regional Director of the Association of General Contractors of America and Chairman of the New York State Society of Professional Engineers in Construction.

Gargano holds a bachelor's degree in civil engineering from Fairleigh Dickinson University, a master's degree in civil engineering from Manhattan College, and a master's degree in business administration from Fairleigh Dickinson. He is married and has two children.

CAROLE A. FORYST
ASSOCIATE ADMINISTRATOR FOR
POLICY, BUDGET AND PROGRAM DEVELOPMENT

Secretary of Transportation Drew Lewis announced the appointment of Carole A. Foryst as the Associate Administrator for Policy, Budget and Program Development for the Urban Mass Transportation Administration on April 9, 1981.

Foryst coordinates the development, planning and evaluation of the overall UMTA program, carries out long range policy analysis and serves as the principal advisor on the development of goals, missions and policies. She also directs a program that identifies research and development goals. She plans, supervises and coordinates budget programs and controls.

Prior to assuming the UMTA position, Foryst was vice president-public affairs for the National Railroad Passenger Corporation (Amtrak) between October 1979 and October 1980. During the transition she served as assistant director of policy coordination-transportation for the Office of the President- Elect.

Prior to joining Amtrak, she operated Washington-based Foryst Public Relations Associates for two years and served as assistant vice president for public affairs at the Association of American Railroads between 1977 and 1978.

Between 1972 and 1973, Foryst was a staff assistant and chief speechwriter for Secretary of Treasury George P. Shultz. During the tenure of Secretary of Treasury William E. Simon, she was a staff assistant responsible for briefing books and headed the Audit Reform Task Force between 1974 and 1976. She moved from the Treasury Department to the Interior Department to become deputy director of public affairs under Secretary William Kleppe from 1976 to 1977.

A native of Illinois, Foryst majored in Science and History at Rosary College, River Forest, Illinois, and Roosevelt University, Chicago. She also studied at the University of Grenoble in 1961, the University of Amsterdam in 1962 and Alliance Francaise in Paris in 1963. She is married to Anthony H. Cordesman, a noted defense expert and author. They have three children and they reside in Arlington, Virginia.

G. KENT WOODMAN

CHIEF COUNSEL

URBAN MASS TRANSPORTATION ADMINISTRATION

G. Kent Woodman was appointed Chief Counsel for the Urban Mass Transportation Administration on May 17, 1981, following six years of service in the Office of the Legislative Counsel of the U.S. House of Representatives.

As an Assistant Counsel in that office, Woodman's areas of specialization included railroad regulation, rail safety, railroad reorganization and rail labor.

He participated in drafting such measures as the Staggers Rail Act of 1980, the Milwaukee Railroad Restructuring Act, the Amtrak Reorganization Act of 1979, the Amtrak Improvement Act of 1978, the Rail Transportation Improvement Act and the Railroad Revitalization and Regulatory Reform Act of 1976.

Woodman joined the Legislative Counsel staff in 1974, following graduation from the Vanderbilt University School of Law, where he was co-founder of the Vanderbilt Legislative Reference Bureau.

Born in Elk City, Oklahoma, in 1949, Woodman earned his B.A. degree at Oklahoma State University. He is married and has one child.

RAYMOND J. SANDER NAMED
UMTA EXECUTIVE DIRECTOR

Arthur E. Teele, Jr., Administrator of the Department of Transportation's Urban Mass Transportation Administration, has announced the appointment of Raymond J. Sander as UMTA Executive Director.

Sander, as the senior ranking career official of UMTA, in his new position advises and assists the Administrator and Deputy Administrator in the overall administration of the agency. His appointment was effective June 29.

"We are fortunate to obtain the service of such a capable experienced manager," Teele said.

"Ray Sander brings to the Administration a wealth of management experience along with a unique ability to analyze management problems and to train others as managers," Teele added.

Prior to assuming the UMTA position Sander was Director of Management Planning, Office of the Secretary of Transportaiton since 1977.

From 1974 to 1977, he served as Assistant Director, Management Programs and Budget Staff, Department of Justice, and prior to this was with the Central Intelligence Agency.

A native of New York City, Sander graduated from Fordham University in 1965 with a Bachelor of Science degree in History. He received a Master's degree in government and politics from the University of Maryland in 1971 and currently is a candidate for a Ph.D. at Maryland.

In 1980, Sander was awarded the Secretary's Silver Award for Meritorious Achievement.

SUMMARY OF OPENING STATEMENT

Mr. TEELE. Thank you, Mr. Chairman, and I have forwarded my statement in advance of these hearings to give you and your staff ample opportunity to review it, and therefore today, consistent with your instructions, I propose to briefly summarize the statement before you before I attempt to answer your questions.

The 1983 budget request that we have submitted steers what I believe is an appropriate and prudent course that reconciles the financial needs of transit systems with the economic needs of our Nation. And at the same time, the program level we are proposing is consistent with this administration's commitment to reshape Federal and local responsibilities in the provision of mass transportation assistance. In that sense, this is a transitional budget.

We have submitted a comprehensive legislative proposal to amend the Urban Mass Transportation Act of 1964 as amended in order to provide authorization for fiscal year 1983 through fiscal year 1986 appropriations. I will submit a copy of our proposal to you for inclusion in the record.

[CLERK'S NOTE.—The subcommittee has UMTA's legislative proposal on file.]

Mr. TEELE. The budget we will be discussing in these hearings, however, is based upon the existing rather than the proposed authorization legislation. Mr. Chairman, we are requesting new budget authority in the amount of $3.15 billion for fiscal year 1983. This is a decrease of $344 million from fiscal year 1982. The decrease is attributed primarily to our operating assistance phaseout proposal.

CAPITAL ASSISTANCE PROGRAM

In the area of capital assistance, the budget we propose for fiscal year 1983 reaffirms this administration's strong commitment to provide capital assistance necessary to upgrade the transit systems which are essential components of the community transportation infrastructure. This approach recognizes the economic vitality of many of our Nation's cities that depend upon mass transit remaining as an effective and serviceable mode of transportation. Accordingly, we are responding to the needs to replace rolling stock and maintain facilities in a safe, reliable and operational condition.

Our total request for the basic capital program includes $520 million in section 3 discretionary funds for bus and bus-related activities; $861 million in the section 3 discretionary fund for rail rehabilitation and modernization; and $375 million in section 5 tier 4 formula funding for bus and bus-related activities.

In summary, we propose a budget of $1.756 billion for the three basic capital programs. In the current fiscal year we are providing $1,739,800,000 for the same programs. And although this is a modest increase, in an era of significant reductions for nondefense spending, our capital budget is evidence of the meaningful commitment by this administration to meet the urgent needs for capital investment activities. We believe that the mix of capital funding we are proposing will meet the basic needs of the transit industry.

OPERATING ASSISTANCE PROGRAM

Now regarding the operating assistance program, Mr. Chairman, we are proposing that the fiscal year 1983 UMTA budget implement the second phase of this administration's gradual elimination of the Federal operating assistance program. We remain convinced that the full responsibility for the day-to-day operation of local transit systems should, and can be best handled at the local levels of government.

We are proposing $640 million in section 5 operating assistance for fiscal year 1983. This compares with the $1.036 billion we have appropriated in fiscal year 1982 and the $275 million we have targeted for fiscal year 1984. We believe that the operating assistance program has generated unwarranted expectations as to the levels of service local government can reasonably and realistically afford to provide. This assistance program has actually served, we believe, as a disincentive for local governments to seek out and implement the operating efficiencies necessary to reduce operating costs.

Also, many transit experts suggest that the operating assistance programs may distort the transit labor relations process, and operating

assistance subsidies have obviated the need for local government to make the very difficult political decisions necessary to bring operating costs into line with revenues and with State and local support.

As the members of this subcommittee well know, operating costs are a product of local conditions and decisions. Levels of service, routes, hours of service, labor agreements, retirement policies, hours of operation, administrative costs, salary and benefits, and farebox policies are all determined locally. As long as the Federal Government underwrites the difference between the local contribution and the overall cost of operating a transit system, there is, Mr. Chairman, little incentive for the transit operators to hold these costs down.

We have no illusions. The phaseout of operating subsidies will not be painless. That is why we have proposed an elimination on a phased basis of this program. This approach is designed to give localities the time necessary to prepare and assume the full responsibility for operating their transit systems. And this approach is an approach that will compel localities to take a realistic look at their transit systems in order to determine what they can really afford.

Also at UMTA, we have taken a number of actions designed to reduce local costs generated as a result of Federal involvement and requirements. Rather than discussing those activities now, I will refer you, in the interest of time, to the statement I have submitted for the record.

RESEARCH, TRAINING, AND ADMINISTRATION

In the area of research, training, and administration; generally for research and training, we are proposing a budget of $74 million. This category provides research, development, and demonstration, safety and university research and training, managerial training, and UMTA administrative costs. In the broad area of research, we will assist States and localities in developing locally oriented strategies to enhance fiscal sufficiency and to effect cost-efficient operating procedures. We intend to improve our capacity to serve as the idea bank for practical information and know-how that will help transit managers address the challenges they face.

The level of administrative expenses that we are proposing is necessary if we are to continue our efforts to improve the efficiency and effectiveness of the UMTA organization. We have recently completed a comprehensive reorganization that has enabled us to reduce the size of the agency while more effectively meeting the needs of the transit industry and the citizens it serves. We have developed and implemented a number of procedural changes to enhance the organizational efficiency and improve the delivery of services.

Mr. Chairman, allow me to make two final observations before we attempt to respond to your questions. First, I would encourage the members of this committee to carefully study the balanced and incisive report prepared by the House Subcommittee on Investigations and Oversight in the House Committee on Public Works and Transportation entitled "Oversight of the Federal Public Transportation Assistance Program." This report directly addresses many of the difficult and com-

plex public policy questions which will have to be resolved by those of us who share the responsibility for the future of mass transportation in our Nation. I commend this report to you and hope that at another day we will have an opportunity to discuss it in some detail.

DOMESTIC BUS PRODUCTION

In conclusion, Mr. Chairman, I believe that we must never lose sight of the fact that mass transportation is an essential part of the urban infrastructure and represents an important element in our ability to withstand potential interruptions in our Nation's energy supply. But, if this option is to be preserved, it is also necessary that we retain and strengthen our Nation's capacity to domestically produce transit buses. For that reason, we believe that it may be prudent to defer additional legislative and administrative actions which artificially regulate the marketplace in the procurement of buses.

At the funding level provided in this budget, we can maintain the existing transit buses so that in the future event of energy shortages, transit can be capable of doing its part to respond effectively.

Mr. Chairman and members of the committee, thank you for your careful consideration of the fiscal year 1983 budget request. We are convinced that this budget and our proposed legislative package can and will improve public mass transportation in our Nation. I know that I share your commitment and am looking forward to working with you. Thank you again, Mr. Chairman.

UMTA GOALS AND OBJECTIVES

Senator D'AMATO. Thank you, Mr. Teele.

Last year's Senate report directed attention to UMTA's lack of goals and objectives, which certainly should be a guide to a $3.5 billion program. In addition, the Senate encouraged development of criteria against which your program's progress could be measured.

What has UMTA done to meet the wishes of the Senate in this regard?

Mr. TEELE. Mr. Chairman, we have undertaken a number of studies internally, and we have, in fact, made what I believe to be a significant change in staffing and staffing responsibilities to address more effectively the long-term considerations and concerns the Senate expressed last year.

First and foremost, Mr. Chairman, we have named, for the first time in the history of UMTA, an executive director who is a career civil servant. We believe that this is necessary in order to insure continuity over the long term and in the out-years, as it relates to long-term goals and objectives.

Specifically, UMTA has identified 19 supporting objectives to be achieved within the calendar year of 1982. These objectives directly correspond with the mission of UMTA—13 of those objectives pertain to the program improvement and 4 to management, and 2 directly to the legislation.

Our program improvement objectives include the development within UMTA of the capacity to assist local transit authorities that are facing fiscal difficulties; developing programs that will assist transit agencies in improving farebox management; clarifying protection under charter schoolbus regulation and enforcing schoolbus regulation; developing demonstration projects illustrating creative ways to involve the private sector in mass transportation; and improving the UMTA outreach program to aid local policymakers in their ability to measure and evaluate transit systems' performance.

New management-related milestones include reorganizing UMTA's headquarters to better utilize UMTA's reduced staff resources and consolidating the planning and capital assistance program under one associate administrator; improving the financial management at UMTA; consolidating the research and development, training and management activities under one administrator—I might add, Mr. Chairman, this has been the subject of a number of GAO and Senate committee reports in the past, the diffusion of the section 6, section 10, and section 11 programs over three separate associate administrators; and generally, a reduction in the administrative operating costs and the development and initiation of a formula delivery grant concept, and at the same time, clarifying selected policy issues.

We believe that these management objectives, coupled with a refocusing and republication of the UMTA mission, have aided us, consistent with the Senate's concerns of last year.

UMTA MISSION

I might also add that we have articulated the UMTA mission consistent with the concerns of the Senate committee of last year. We will implement our mission to include the ability to assist States and localities in planning and developing and maintaining an effective and efficient urban mass transportation system; using the combined resources of the public and private providers, which meet the needs of each community; provide transportation for those who cannot or do not wish to use the automobile; and to promote the locality-determined objectives for energy conservation, environmental protection, urban growth, revitalization and development, and transportation coordination and the related transit factors.

Mr. Chairman, we believe that we are on the road of addressing and correcting those concerns that this committee expressed last year.

PRODUCTIVITY AND MANAGEMENT

Senator D'AMATO. Mr. Teele, while I appreciate your response, the fact comes down to it that there has been little done to really work in terms of providing the kind of assistance to develop managerial skills that will assist the industry in moving forward with a program of internal improvements. I think this committee is most interested in what would seem to us to be an imperative use of UMTA research funds—the investigation of the nature of the industry's lack of productivity. That is something that UMTA has complained about.

We must focus our research funding on such outreach programs involving the transit operators rather than creating jobs for top-level UMTA management. There is not enough emphasis in terms of field training centers or management schools where we can train people and build the kinds of transit systems with expertise necessary to increase productivity.

It would seem to me, that with the moneys we have allocated, there should be a very concerted movement in this area. I for one am tired of hearing that Federal transit operating assistance leads to nonproductivity. That, No. 1, should not be. Second, if the Federal Government provides funds, it absolutely has a right to see that the repair shops are adequately equipped and staffed. We certainly have a stake here. I would like to see what we are doing in this area.

How do you intend to reorganize the research office and combine previously scattered efforts to look at such types of software issues as transit productivity and management? Is that not the key? If you do not have a program, I would like to have one submitted. What are we going to do with these funds?

If we put aside $45 million, I would like to know how much of this is going to be allocated to the issue of productivity and management.

Mr. TEELE. Mr. Chairman, thank you very much for your questions. As you may be aware, my testimony last year before the House very much paralleled your comments today. We feel that this is perhaps one of the most important roles that UMTA can play, particularly in light of this administration's proposal to phase out operating assistance.

The question that you have asked is really a series of questions that, if I may characterize them, are in three general categories. No. 1, organizationally, what have we done? No. 2, programmatically, what have we accomplished and what have we done in this area, as it relates to technical assistance? And No. 3, programmatically, what are we proposing in fiscal year 1983?

Senator D'AMATO. Let me give you just one. When do you plan to develop an agenda of analysis and training programs that would serve as the basis for actions that would stimulate the needed internal operation improvements within the transit industry?

Mr. TEELE. Mr. Chairman, we have a program in this area that has been developed within the last 2 to 3 months. We will be happy to submit that program to you for the record.

[The information follows:]

As indicated in my testimony, the recent UMTA reorganization permitted me to merge under one associate administrator a variety of program activities that will obtain improvements in transit operator performance. This was a planned move that emerged from the UMTA management analysis task force that I created particularly to address such issues as the one you raise.

In the new organizational alinement, I have colocated those program functions with sections 6, 10, and 11 resources that focus on industry productivity into one administrative unit. This will allow for comprehensive program planning, encourage coordination, and the best utilization of staff and program funds. It is along these lines that UMTA is vigorously initiating a wide variety of training and productivity improvement techniques that are designed to upgrade transit industry performance characteristics.

We already conduct a substantial number of courses, seminars, workshops, conferences, and other forms of training aimed at reducing transit costs and increasing productivity. A consulting firm is currently under contract to conduct training seminars, starting in June 1982, to provide information and technology transfer services to transit operators. A peer matching program will be established to allow professional staff at transit properties to interact with their colleagues at other operating agencies who have developed innovative solutions to problems. In addition, UMTA is developing a program to utilize universities to provide continuing education and technical assistance to transit properties. This program should be implemented in fiscal year 1983. We are planning to conduct a series of section 15 seminars in which we will inform transit decisionmakers of the utility of this data base in improving productivity, and we intend to conduct a labor/management conference which will foster enhanced cooperation in this area.

Furthermore, in addition to the other projects specifically mentioned in my testimony, we are currently engaged in a serious review of the Federal role in bringing together public and private sector interests—that is, transit operators, academia, privately owned transportation providers, labor, business, and industry, to devise better ways to exchange, share, and capitalize on information and expertise. We are seeking a coalition of the resources presently available in the community to address local issues and problems involving the provision of transportation services. We have also established an investment strategy which guides regional staffs in making project funding decisions. This strategy assures that UMTA funds are spent in the most effective fashion, and allows us to orient our major discretionary program in order to assist localities to enhance transit system productivity.

MANAGEMENT TRAINING COMPONENT

Mr. TEELE. Specifically, if I may go back to your initial question, the Senate last year raised a similar concern as it relates to our section 6, our section 10, which has a large amount of the management training component, and our section 11, functions being scattered among three separate associate administrators.

We have merged all of those functions under one associate administrator, and that associate administrator has two deputies; one is responsible for engineering and applications, which is the R. & D. effort, and the other responsible for the management and demonstrations, which is in the area of training and management that you have raised before us today.

The organizational efforts have been clearly articulated and identified, and we have management objectives with specific milestones and targets that have been submitted to the Secretary in the area of training and management. We will also be happy to submit this material to you for the record.

As it relates to what have we done—I think perhaps the greatest source of confusion, Mr. Chairman, has been our inability to articulate in this forum and other similar forums what we have actually done.

[The information follows:]

We have established 19 management objectives to be achieved during calendar year 1982, which directly correspond to the UMTA mission—13 objectives pertain to program improvements, 4 to management improvements, and 2 to legislation.

Three objectives already have been accomplished:

New language in grant procedures and guidelines concerning evaluation of performance, standardization, and life-cycle costing in transit coach procurements.

Issuance of joint regulations with the Federal Railroad Administration concerning commuter rail transition funding in the Northeast.

Development of demonstration projects showing creative ways to involve the private sector in mass transportation.

We are making steady progress on the other objectives. To attain them, UMTA has identified 77 supporting milestones that must be met by the end of the year. As of April 1, 30 milestones had been completed.

UMTA's major management objectives for 1982 are:

1. Develop a dedicated source of additional Federal funding for transit.
2. Develop and issue, with the Federal Railroad Administration, regulations providing for the distribution of transition funding for Conrail commuter operations.
3. Assist in the orderly transfer of service responsibilities from Conrail to either transit authorities or Commuter Services Corp.
4. Develop and initiate a capital formula concept in lieu of the current UMTA program.
5. Improve grant management through clarification of identified policy issues.
6. Complete evalutaion of "white book" specification for advanced design buses.
7. Mitigate adverse effects of the labor protection provision in Section 13(c) of the Urban Mass Transportation Act.
8. Reduce paperwork and grant application burdens on grantees by expanding use of grantee self-certification processes into current UMTA programs.
9. Respond to congressional directives to incorporate evaluation of performance, standardization, and life-cycle costing procedures in rolling stock procurement activities.
10. Develop within UMTA the capability to assist local transit agencies that are facing fiscal difficulties.
11. Develop programs that will assist local transit agencies in improving farebox management.
12. Encourage expanded participation, by all appropriate private sector transportation providers, in the planning and provision of local transit services.
13. Develop demonstration projects and publicize results of previous efforts that illustrate creative ways to involve the private sector in mass transportation and provide technical assistance to aid implementation.
14. Develop a new program for assisting minority-owned businesses in securing performance bonding.
15. Improve UMTA outreach programs to aid local policymakers in their ability to measure and evaluate transit system performance.
16. Encourage innovations in industrial relations by involving organized labor in the efforts to improve productivity.
17. Receive and review State and local ordinances/resolutions earmarking funds for Metro; once acceptable, forward package for approval by the Secretary before the deadline required by law.
18. Reorganize UMTA headquarters staff to better utilize and consolidate UMTA's reduced staffing resources; streamline internal processing; improve response time and eliminate internal duplication and conflict; provide a consolidated and improved technical assistance capability to the regional staff and UMTA grantees; improve UMTA's financial management system; and consolidate planning and capital assistance under a single program manager.
19. Improve current efforts to reduce administrative operating costs.

MANAGEMENT TRAINING PROGRAMS

Senator D'AMATO. Mr. Teele, so that we are not going at two different points, my inquiry is in regard to the kind of management training programs that I believe are so absolutely necessary for the various authorities themselves, not in terms of gaining managerial efficiency of UMTA, but within the management structure of transit operators. We are talking, in many cases, of new people coming into the area of transit management who unfortunately have had very limited experience. We see the demise of the private sector, we see the retirement of those who for many years have been involved in the transit industry, we see

continually reports that indicate to us a lack of efficiency, a lack of productivity.

So the argument then is put forth that the Federal Government is encouraging this as a result of operating subsidies. Therefore, we are going to cut them. I do not believe that that is a valid argument.

However, be that as it may, no one can deny the lack of productivity in certain areas. And what I am asking you is: What will UMTA be doing in this direction of training management personnel, et cetera, particularly new management coming in at the middle-management level in the various authorities throughout this country?

Mr. TEELE. Mr. Chairman, apparently I am not making myself very clear on this point. My frustration at this point stems from the fact that I feel more strongly about our responsibility in this regard as a future and proper role of the Federal Government and this agency, particularly in light of this administration's proposal to phase out of operating subsidies, than I do in virtually any other area. If I may, Mr. Chairman, let me relate some of our achievements.

First of all, UMTA has an information and technical assistance program under the new organization for the benefit of transit agencies that focuses on operational techniques that can assist those agencies in providing assistance, productivity assistance, in controlling operating costs. We provide reports on the demonstrations of projects which we have actually conducted that show transit operators, for example, successfully implementing ridesharing programs.

We are providing reports about user subsidy techniques to provide economical transportation to targeted groups such as the elderly and handicapped. We are providing training materials for drivers and driver-related activity. We are providing stress training programs and a number of demonstration programs, particularly on the west coast, emphasizing stress training for drivers to reduce the high rate of turnover and the early retirement. This activity gets directly at the question of productivity.

We are sponsoring a number of research and demonstration reports on the coordination of social service activities that have transportation components, with a view of pulling in many of these social service activities, separate transit activities, under perhaps one transit umbrella and one roof. An example, Mr. Chairman, is that the veterans administration in virtually every city has a transportation component and actually provides buses or vans, as does HHS in many areas in the health and human services program.

The actual consolidation of these various transit modes and mixes in a local community can, in fact, reduce the total operating costs to a transit authority.

We are providing training and technical assistance programs and seminars to help transit operators and local planners as they attempt to implement low-cost service alternatives.

Mr. Chairman, I would like to submit to you for the record a list of some 70 UMTA-sponsored productivity-related training sessions that are scheduled in fiscal year 1982, as a part of the fiscal year 1982 budget.

[The information follows:]

In FY 1982, we are conducting 73 training sessions oriented toward management training.

Dates	Title	Location
10/19-23	Introductory UTPS Training Session	Tampa
11/2-6	Bus System Safety Course	Oklahoma City
11/1-4	Workshop on Short Range Operations Planning Management	Atlanta
11/9-11	Rail and Construction Technology Conference	Boston
11/9-12	Conference on Urban Transportation Planning Methodologies	Warrenton
11-30-12/2	Developmental Workshop on Rail System Safety Analysis	Washington
11/30-12/3	Bus Accident Investigation Seminar	Los Angeles
12/8-9	Bus Accident Investigation Seminar	Honolulu
12/10-11	Explosives Incident Management Seminar	Honolulu
1/4-8	Transit Security Course	Oklahoma City
1/11-15	Final Developmental Workshop--Rail Accident Investigation	Oklahoma City
1/19-20	Bus Accident Investigation Seminar	Washington
1/20	Evaluating Urban Transportation R&D Programs	Washington
1/21-22	Explosives Incident Management Seminar	Baltimore
2/1-5	Bus System Safety Course	Oklahoma City
2/9-10	Bus Accident Investigation Seminar	Houston
2/23-24	Bus Accident Investigation Seminar	Atlanta
2/25-26	Explosives Incident Management Seminar	Atlanta
3/1-5	First Rail Accident Investigation Course	Oklahoma City
3/7-10	Short Range Transit Operations Planning Management Workshop	Atlanta
3/9-10	Bus Accident Investigation Seminar	Bloomington, IN
3/23-24	Bus Accident Investigation Seminar	Chicago
3/28-30	3rd National Conference on Light Rail Transit	San Diego
1-3/82	Explosives Incident Management Seminar	Knoxville
4/13-15	Special Topics in UTPS Workshop	Chicago
4/13-16	Bus Maintenance Improvement Workshop	St. Louis
4/19-23	Bus Accident Investigation Course	Oklahoma City
4/26-30	Transit Security Course	Oklahoma City
4/26-5/7	Urban Mass Transportation Management Seminars in Human Resources Development	Philadelphia

15-453 O - 83 - 18

Dates	Title	Location
4/29-30	Bus Subsystem Technology Conference	Boston
5/4-5	Bus Accident Investigation Seminar	Tucson
5/4-5	Bus Accident Investigation Seminar	Maplewood, NJ
5/4-6	Special Topics in UTPS Workshop	Los Angeles
5/10-14	Rail System Safety Analysis Course	Oklahoma City
5/17-21	Bus System Safety Course	Oklahoma City
5/18-19	Conference on Small Transit Vehicles	Fort Worth
5/26-27	Truck/Track Interaction Symposium	Washington
5/25-26	Bus Accident Investigation Seminar	West Palm Beach
5/26-28	Labor-Management Conference on Transit Productivity	Bal Harbor
5/27-28	Explosives Incident Management Seminar	Miami
5/82	SCRTD System Safety Review	Los Angeles
5/82	BARTD System Safety Review	San Francisco
5/82	Transit Professional Seminar	San Francisco
5/82	Urban Mass Transportation Management Seminar	Boston
6/7-11	Bus Accident Investigation Course	Oklahoma City
6/13	Private Sector Alternatives to Transit Services	Knoxville
6/15-16	Bus Accident Investigation Course	Des Moines
6/7-18	Transit Manager Workshop	Milwaukee
6/21-25	UTPS Introductory Seminar	Columbus
6/82	Collective Bargaining and the Labor Contract	Pittsburgh
6/82	Training Seminar for Transit Middle-Managers	Brooklyn
6/82	Information Management in Transit	Seattle
7/12-16	Rail System Safety Analysis Course	Oklanoma City
7/20-21	Bus Accident Investigation Seminar	Pittsburgh
7/26-30	Bus System Safety Course	Oklahoma City
78/82	Financial Management for Transit	Bloomington, IN
8/2-4	Ontrack to Fire and Life Safety Training Needs of Rail Rapid Transit Systems	Washington
8/10-11	Bus Accident Investigation Seminar	Los Angeles
8/16-20	Transit Security Course	Oklahoma City
8/23-27	UTPS Introductory Seminar	Portland, OR
8/24-25	Bus Accident Investigation Seminar	San Francisco
8/26-27	Explosives Incident Management Seminar	San Francisco

Dates	Title	Location
8/28-30	Truck/Track Dynamics Conference and 3rd Rail Noise Seminar	Boston
8/82	PAT System Safety Review	Pittsburgh
8/82	Collective Bargaining and the Labor Contract	Pittsburgh
8/29-9/1	Workshop on Trolley Buses	Seattle
9/14-15	Bus Accident Investigation Seminar	Tucson
9/14-16	Conference on EMI and Propulsion	Pittsburgh
9/20-24	Rail Accident Investigation Course	Miami
9/82	Transit Professional Seminar	San Francisco
Fall 1982	The Teaching Manager	Chicago
Fall 1982	Transit Policy Development and Decision Making	Jacksonville
To Be Det.	Public Sector Transit Management Seminar	Cleveland

DEFINITION OF PRODUCTIVITY

And if the committee would allow just one additional matter; we believe that the best way to raise this question of management and management training and the whole question of productivity is through a clear definition of what productivity is. Mr. Chairman, you would be amazed to learn how the Government, the transit managers, and labor cannot come to closure as to how we define and therefore how we begin to address this question. We are proposing and sponsoring a number of seminars along these lines.

We will also sponsor seminars about the section 15 reporting system. This series of five seminars across the country will be directed to our attempts to bring local policymakers and transit managers together to agree on definitional approaches for productivity and management. And at the same time, Mr. Chairman, I had the pleasure of meeting with the head of the research department of the AFL–CIO yesterday, and we have agreed to sponsor a joint UMTA-sponsored management and labor conference to get at this question of productivity.

IMPROVING TRANSIT PRODUCTIVITY

Senator D'AMATO. Mr. Teele, let me commend you for this effort in the past year. Let me also commend to your attention a report that I know that you have seen and that your staff has seen issued by the Government Accounting Office in regard to transit operations, dated February 26, 1981. On page 22 of that report, you might find a very interesting paragraph which says: "UMTA should do more to improve transit productivity." It goes on to suggest that the seminar technique in theory is not enough, that indeed there happens to be a feeling in terms of just what is the role of UMTA, and should it get involved in local transit operations.

I do not suggest that it get involved per se, but I do suggest that workshops are not enough and that seminars are not enough. We need an actual training facility, operated for and in conjunction with a number of the authorities, to develop the kinds of expertise on a year-round basis that is needed by transit operators who are continually having a turnover in personnel. They must have a place to send their new personnel so that they can take advantage of the expertise of those people who have retired, who would be available at these types of facilities, and so that the smaller cities would have an opportunity also to avail themselves and their new management in these techniques.

While I commend you for the upgrading of these productivity areas, I would suggest that there is much to be done, or, at least, that there are additional improvements to be made.

Last year, during these same hearings and talking about operating subsidies under section 5, we talked extensively about the need to study the impact that the phasing out of operating subsidies would have on the transit systems. I was assured that I would get an analysis of that study, and I to date have not received any analysis. Do you have one to present today?

ANALYSIS OF PHASEOUT OF SECTION 5

Ms. FORYST. Mr. Chairman——

Senator D'AMATO. Oh, I think you promised me that analysis in about 2 or 3 weeks, last year. Is that right?

Ms. FORYST. No, sir. It was not I who testified before this committee at that point in time. I believe it was one of the assistant secretaries.

Senator D'AMATO. Oh. Are they here?

Ms. FORYST. I would like to address the question, though, sir. As you noted, the report that was sent to us the first day that the Reagan administration took office from the General Accounting Office did pay particular note to some of the problems that were being caused by the provision of operating assistance, and the perverse effect that it was having on productivity and efficiency of delivery of the services.

That conclusion was reached simultaneously and probably independently by those individuals of the higher levels in the Office of Management and Budget who were preparing the budget submission. As you know, we did finally conclude that operating assistance should be phased out, for reasons that were pointed out by the GAO.

I know your question goes to, did we prepare a study? The answer is that there have been numerous evaluations of this, none of which had actually been prepared into a document that was called a study. However, there was a great deal of analysis that went into the decision, and it was done by more than just the executive branch. It was also done by the arm of Congress, which is the General Accounting Office.

Senator D'AMATO. In other words, there is no analysis?

Ms. FORYST. There is a great deal of analysis, sir. We do not have anything that is called a study per se.

Senator D'AMATO. What about the numerous evaluations that you have made in regard to why it will improve transit operations and productivity to curtail operating subsidies, because that is the gist of

your argument. If I follow your argument, you say that productivity inefficiencies and the lack of productivity come about as a result of Federal subsidies.

Do you have these evaluations, these numerous evaluations? I understand what the General Accounting Office has indicated.

My point is, where is this analysis which says, and the evaluations that bring you to this conclusion, that it is operating subsidies that bring about a lack of productivity?

Ms. FORYST. Well, if I might just turn to basic economic theory, which holds that if you subsidize an activity, you get more of it, irrespective of whether or not it would be an efficient activity in an open market. If you apply that theory to operating subsidies, then one has to conclude that if you subsidize an activity, you do get more of it, and it may not be efficient. And that has indeed proven to be the case, that we find that a subsidy that the Federal Government has provided to operators has encouraged them to produce services that were perhaps somewhat overextended and perhaps served routes that were too thin to support in a reasonable sense the level of service being provided.

Senator D'AMATO. Well, for the record I would like to request those evaluations.

Ms. FORYST. I can assure you that I will get on that immediately today.

Senator D'AMATO. OK. So you will submit those evaluations to this committee?

Ms. FORYST. I will do it as soon as we can possibly prepare them. Whether they can be prepared in time for the normal submissions——

Senator D'AMATO. Well, have you done these evaluations?

Ms. FORYST. Yes; we will make sure you have some evaluations that will satisfy you, sir.

Senator D'AMATO. Well, this committee is requesting those evaluations.

Ms. FORYST. We will do that.

Senator D'AMATO. And I would like to make an observation. If we have labor inefficiency, if we have lack of adequate maintenance facilities, I would suggest that we address that. But I would suggest that by eliminating operating subsidies we do not cure the productivity inefficiencies that exist. What we are doing is literally throwing out the baby with the bathwater. The bathwater might need a change, but the idea that to eliminate operating subsidies will bring about greater efficiencies I find unacceptable, and there is a certain lack of logic to it.

But be that as it may, last year at this hearing I was told that there was analysis upon which the assumption was made that local taxes and services and farebox revenues would make up the proposed reductions in operating assistance. Do we have that analysis?

Mr. TEELE. Mr. Chairman, we have studies and we have matrix and we have surveys. Yes; we have an analysis to address those questions, Mr. Chairman.

Senator D'AMATO. Would that be made forthcoming to the committee? And if there is a detection that the Chair would like or that

the Committee would like this information, I would because 1 year ago we asked for this information. We were told such a study would be forthcoming. We had quite an extensive dialog with the then acting director of UMTA in regard to the information that would be available.

I find it particularly necessary today when in response to APTA's—the American Public Transportation Association—survey of more than 100 transit authorities, that 25 percent of those authorities—and might I add, not New York City but the smaller areas, the smaller communities, and the smaller urban centers have indicated that the elimination of mass transit subsidies would have a terrible consequence, and that indeed they would have to even consider closing down the lines because the farebox revenues could not make up for the kind of increase that would be necessitated.

Let me mention some—in Pennsylvania, the Harrisburg, Allentown, Scranton, and the Lancaster systems—in Tennessee, the Chattanooga and Knoxville systems. In Michigan, the Monroe system, the Bay City, the Jackson, and Kalamazoo sytems—in Ohio the Lima and the Canton systems—in California, Stockton—in Wisconsin—in Texas—in Illinois, the Peoria system.

You go right down the line and you will find that it is the smaller transit systems that will not be able in certain cases to make up that farebox reduction. Do you think the economy improves these efficiencies? What about the economic impact, not only on the individuals who now cannot afford any alternative transportation, but the impact on those urban centers and those small communities?

Now what kind of analysis has been done on these impacts?

Mr. TEELE. Mr. Chairman, the APTA survey was just that. It was a survey. We have done comparable surveys. The deputy will comment on those.

Senator D'AMATO. Let me suggest this. I would like these studies within 2 weeks. And if not, we are going to have another hearing. We will have to take some formal action. If we are being told that operating subsidies are not necessary, that subsidies can be made up through the farebox, that this is the best economic approach, I would counter with the thought that this is just one of the easy ways to cut the budget. It is easy because there is no vocal, well-organized mass transit constituency.

The Federal Government role should be that of encouraging improved productivity and cost-effectiveness.

I do not subscribe to your concept that you gain productivity by withdrawing operating assistance.

So I would ask that you provide the study promised last year within the next 2 weeks—does that provide you with enough time?

Mr. TEELE. Mr. Chairman, that is fair and reasonable. Your request is a fair request, but let me only put it in this context. Any study, any survey, or any even analysis of this whole question must be broached from the perspective that it is a local government function as to what the response is going to be. Whether it is going to be a fare increase, which is the fallacy upon which the APTA study is based—the APTA study

assumes that all of the operating subsidy revenue losses will be picked up at the farebox, whether it be increases in State or local government funding, whether it be a completely new dedicated source of tax dollars or dedicated source of funding for transit at the local level, something this administration is supporting, or whether it be a reduced level of service; to analyze all of the transit entities that are operating in this country, you must consider all of those variables.

Mr. Chairman, I submit to you that the phaseout and the response to the phaseout and the ultimate effect of this phaseout of operating subsidy is going to be individually unique, based upon the economics, the politics and the commitment to transit at each and every unit of government, and it does not lend itself to a broad and sweeping generalization.

Senator D'AMATO. I will give you a broad and sweeping generalization. Certain of the smaller cities and urban areas in my State, New York—Rochester, Syracuse, et cetera—are going to have a difficult time maintaining any kind of transit system. In certain areas the cost will go up to almost $2 a bus rider. There is not available from local tax revenues, and from the farebox the kinds of moneys that will keep those prices from being very discouraging to most mass transit riders. And indeed in certain cases, there will be the elimination of many runs which are essential to the economy and to those individuals for transportation to work.

Mr. TEELE. May I submit to you, Mr. Chairman, that in making the generalization that it will cost $2 at the farebox, the chairman begins to lean toward the same conclusion that APTA will reach because you are now ruling out that a particular locality will dedicate a source of funding, which would reduce substantially the necessity to increase fares.

Youngstown, Ohio, Mr. Chairman, is a classic example. It is the system that went under within the last year, a system that went under without any reduction in operating subsidies. Consequently, it cannot be pointed out as attributable to the policies of this administration.

But if you take this argument, the APTA argument, the argument that the committee is now suggesting, to get the Youngstown system back to running, how much would it cost at the farebox, you are probably right, Mr. Chairman. It would have cost about $2. But——

Senator D'AMATO. But when you look at the financial condition of many of the older urban centers, particularly in the Northeast, and you see the taxing level that those authorities are presently operating on, both at the local and State levels, we find that they have very limited resources with which to make available additional aid.

So I think this has to be factored in, that someone at OMB simply cannot be back there saying, "Oh, the States have a lot of money and they can participate, or the local counties and towns and cities should call upon their resources." Many of these communities are near their taxing limit constitutionally, and consequently cannot raise adequate revenues.

And I would suggest to you that a detailed analysis and a study of this is in order by the administration. We talked about it last year, and

a year has gone by, and we have not had that submitted. But I take the administrator's word. Mr. Teele, you have always been forthcoming with me and you indicate that within the next 2 weeks, you will submit that to this committee. I will report that to Chairman Andrews, and I look forward to that.

I think it is important so that we can make the proper kinds of conclusions, not based upon rhetoric, whether it is mine or someone else's, not based upon emotional statements, not based upon your economic theory, the law of supply and demand. I will tell you about the law of supply and demand. Someone is making $200 a week and you are going to charge him or her $2 a day for a one-way trip or $4 a day to get to work, then they begin to wonder whether or not they should look elsewhere, and maybe the factories and the jobs also move elsewhere. So it is something that is of very deep concern to me.

[The information follows:]

PHASE-OUT OF FEDERAL ASSISTANCE FOR TRANSIT OPERATING COSTS:

RATIONALE AND IMPACTS

May 1982

U. S. DEPARTMENT OF TRANSPORTATION

URBAN MASS TRANSPORTATION ADMINISTRATION

WASHINGTON, D. C.

[the following material was submitted in response to this request]

The attached paper responds to Senator D'Amato's request for analyses of the impacts of phasing out Federal operating subsidies for transit and establishing a link between operating subsidies and declining productivity.

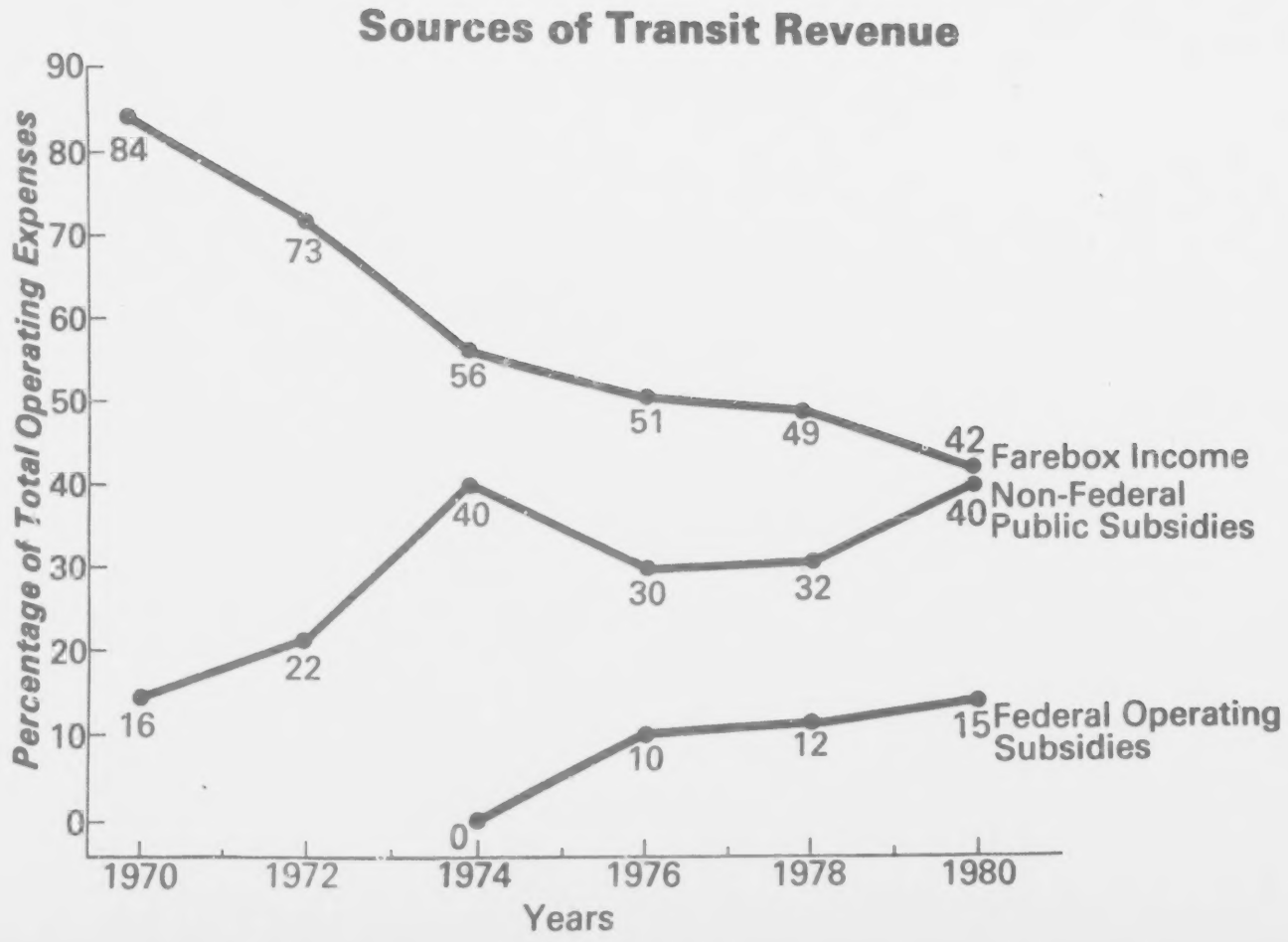
As was indicated in the testimony, the decision to phase out Federal operating subsidies was based largely on two major policy positions: first and foremost is our firm belief that transit operating subsidies are not a proper role for the Federal Government; and second, is the need to reduce Federal expenditures. The attached paper draws on and summarizes a body of literature which existed early in 1981 and contributed to the atmosphere which allowed the Administration to conclude that the Section 5 program was an appropriate candidate for termination. Other studies initiated since that time are also discussed in the paper.

Therefore, the attached paper represents, by way of reference and bibliography, an extensive catalog of earlier studies which the Committee may want to examine in greater detail. Copies of those documents not generally available to the public are enclosed. The shortcomings of the Section 5 program have been commented upon in great detail by observers from several quarters during a recent series of hearings by the Oversight Subcommittee of the Committee on Public Works and Transportation of the House of Representatives. In testimony before that body several disturbing trends were discussed, among them the fact that once the Section 5 program began in 1974, transit wages began to increase at a rate that exceeded even the annual rise in inflation. As had been cited previously, the introduction of the Section 5 program saw a reduction, in proportionate terms, in the amount of transit subsidies which local governments were previously providing. The following chart depicts this trend.

The attached paper is commended to the Committee with these additional observations:

We are not opposed to State and local operating assistance for transit; our phase out would merely transfer this governmental role to the State and local governments which are also participants in the fare and service decisions that generate the need for subsidy. In fact, the Administration has engaged in an extensive "jawboning" effort to encourage States and localities to increase their funding support for transit operations, particularly by dedicating revenues for this purpose. If States and localities do not increase their funding support, there may be some hardships created for transit operators and users.

Any short term hardships resulting from the elimination of Federal operating subsidies must be balanced against the offsetting long term benefits which reducing inflation will bring. For example, the Washington Metropolitan Area Transit Authority reports that because inflation has been lessened, it is estimating a savings of $8 million this year in lower cost of living allowances. Here is a concrete example of an important way the Federal Government can help transit agencies meet operating costs. This same positive impact is being felt in Louisville, Ky., where they expect to save 2.1% of their operating budget from smaller cost of living increases in 1982.


Sources of Transit Revenue
Percentage of Total Operating Expenses
90
80
70
60
50
40
30
20
10
0
84
73
56
51
49
42
Farebox Income
40
Non-Federal
Public Subsidies
40
30
32
22
16
0
10
12
15
Federal Operating
Subsidies
1970
1972
1974
1976
1978
1980
Years

PREFACE

This paper consists of a discussion of the rationale for phasing out Federal operating subsidies for transit, a summary of the effects of Federal operating subsidies on transit, and an analysis of the impacts of phasing out Federal operating subsidies.

It has four sections:

Section I summarizes the paper and outlines the rationale for the phase-out.

Section II contains a more lengthy discussion of the rationale.

Section III summarizes evidence concerning the effects of Federal operating subsidies on costs and productivity.

Section IV summarizes UMTA's assessment of the impact of phasing out Federal assistance, including UMTA's response to predictions made by the Regional Plan Association (RPA) and the American Public Transit Association (APTA).

The paper contains a bibliography of key reference material used in its preparation and a supplemental reading list of additional material relating to this issue.

I. SUMMARY

The major conclusions of this paper, which constitute the Administration's rationale for phasing out Federal operating assistance for transit, are:

(1) Federal operating subsidies have been strongly associated with a number of factors that increase the demand for further Federal subsidies--

-- declining productivity and efficiency,

-- declining fares in real terms,

-- rising unit operating costs in excess of inflation (especially wage rates), and

-- costly Federal "strings" and burdensome regulations.

(2) Control of costs and subsidy ultimately requires control over local service and fare policy. This is properly a local--not a Federal--role.

(3) Phasing out Federal operating subsidies for transit and removing the strings associated with these subsidies will--

-- remove any possible Federal presence with respect to setting service levels, controlling costs, and financing transit operations, which are properly local concerns,

-- create incentives for more rational and equitable fare structures and increased productivity and efficiency,

-- create incentives for reduced operating costs and deficits,

-- encourage local governments to use innovative service options to satisfy travel demand, and

-- reduce Federal spending.

(4) State and local governments and transit operators can cope with a phase-out of Federal operating subsidies--

-- a February 1981 UMTA staff analysis [1]* shows that, for the Nation as a whole, Federal subsidies could be replaced entirely from the farebox if the national average fare rose by only 6 cents a year (in real terms) over a four year phase out period.

-- a March 1981 UMTA staff analysis [2] shows that Federal subsidies could be offset entirely by reducing service by about 6 percent a year over a four year phase out period.

-- preliminary results of a study [3] by the staff of the Advisory Commission on Intergovernmental Relations (ACIR) show that the use of dedicated State and local revenue sources for financing transit is increasing, while the use of dedicated revenues for other public services has been decreasing.

-- out of 112 transit systems responding to an August 1981 survey [4] by the American Public Transit Association (APTA), only four systems responded "yes" to the question: "Would assumed cuts result in a cessation of service?" The vast majority of systems believed that they would be able to continue operations by increasing fares, increasing State and local assistance and cutting down on unproductive service. UMTA contacts with systems in the APTA survey confirm these findings.

(5) UMTA assistance will continue to be available to transit operators and State and local governments through--

-- the research and training program that identifies, demonstrates and facilitates the deployment of "best practice" within the transit industry and assists local operators and governments in improving transit productivity,

-- the planning assistance program that assists localities in assessing their service needs and the range of options for satisfying those needs, and

-- the capital grant program that provides assistance to localities to purchase the equipment and facilities needed to meet their service objectives.

II. RATIONALE FOR PHASING OUT FEDERAL OPERATING SUBSIDIES FOR TRANSIT

Phase-Out and the President's Economic Recovery Program

In March 1981 the Reagan Administration budget revisions announced the intention to phase out Federal operating subsidies for transit over a four year period. The FY 1981 appropriations for the Section 5 program were not subjected to any deferral or recision; the program proposed for FY 1982 was held at the FY 1981 level (although the actual appropriation ended up being 6% less as a result of the final budget compromise); and the

appropriations for the following two years were to be reduced by one-third each year, resulting in total phase out in FY 1985.

It is important to view this decision as part of an overall Administration program to improve the national economy and reduce the rate of general inflation by:

--restraining Federal spending,

--reducing the burden of Federal regulation,

--disengaging the Federal Government from programs that are areas of local responsibility and do not have an overriding national character, and

--promoting creative local solutions to local problems.

The Subsidy Cycle

Upon taking office the Reagan Administration found a transit industry beset by a pattern of rising costs and deficits, declining productivity and declining fare levels in real terms. In its first days it was presented with an assessment of the operating subsidy program in a General Accounting Office report entitled "Soaring Transit Subsidies Must be Controlled". [5]

The GAO report documents the degree to which the Federal assistance program encourages unrealistic, inefficient and inequitable fare structures and has allowed costs to increase rapidly without being offset by productivity improvements. As GAO pointed out, low fares and expanded service were statutory goals of the operating assistance program. Low fares necessarily implied high operating deficits to be funded by all levels of government; expanding traditional forms of service into less densely populated areas had the effect of reducing productivity and increasing unit operating costs. Federal subsidies were widening the gap between revenues and costs and increasing the demand for future operating subsidies--in a self-reinforcing cycle.

To control this cycle the GAO report recommended that new "strings" be attached to Federal assistance and, in effect, that a Federal fare policy be adopted. For example, GAO recommended that UMTA:

> develop and undertake specific actions to improve transit productivity, including requiring management evaluations for all systems of a certain size receiving Federal funds, and requiring UMTA regional offices to monitor transit systems' responses to recommendations in management evaluations and consider the findings of such studies when evaluating requests for Federal funds.

GAO also recommended that:

> the Congress reconsider the 1974 legislative finding that the continued increase in fares is undesirable and adopt a goal for the Federal subsidy program that promotes efficient and equitable transit pricing ... and that ... UMTA develop and issue policy guidelines encouraging local areas to (1) recover more of their costs from passenger fares and (2) develop realistic, efficient and equitable local fare policies and structures.

However, it is unlikely that these actions--intrusive as they are--would be sufficient to improve productivity, control costs, raise fares and thus reduce the demand for transit subsidies. Meaningful control over these factors would require detailed Federal oversight of local service, fare, and financing

decisions. This would involve such extensive Federal intrusion into local transit decisions as to essentially constitute Federal operation of local transit systems. The Administration is diametrically opposed to such an approach on both philosophical and practical grounds. Instead, the Federal Government must be taken out of the operating subsidy cycle.

GAO acknowledged that the primary responsibility for improving transit productivity and for developing realistic, efficient, and equitable fare policies ultimately rests with local transit systems and State and local governments. The Department has proposed a gradual phase-out of Federal operating subsidies; by 1985 Federal operating subsidies and the "strings" attached to them would end. The Federal Government could then defer to local decisions regarding fare, service and finance policies since the responsibility for financing the consequences of those decisions would rest entirely with the locality making the decision.

UMTA would continue to use its research, demonstration and technical assistance resources to identify and facilitate the deployment of "best practice" within the transit industry and assist local operators and governments in improving transit productivity. The UMTA planning assistance program would also continue to assist localities in assessing their service needs and the range of options for satisfying those needs. The capital grant program would continue to provide assistance to localities to purchase the equipment necessary for the services they wish to provide.

III. SUMMARY OF THE EFFECTS OF FEDERAL OPERATING SUBSIDIES

The effect of Federal operating assistance on transit deficits was a key issue during the original deliberations concerning the possibility of a Federal operating assistance program. A November 1971 Department of Transportation report entitled "Feasibility of Federal Assistance for Urban Mass Transportation Operating Costs," [6] raised the possibility that such a program could contribute to inefficiency and cost escalation. The study further noted that this risk could not be alleviated without intrusion of the Federal Government in such local matters as fare policy and service allocation.

Concern with rapidly increasing deficits was evident as soon as the program took effect. In 1976 and again in 1979 the Office of Management and Budget directed that UMTA evaluate the operating subsidy program to determine the effects of the subsidies. [7] Both studies suggested that in its initial years, the program promoted increased deficits by way of the combined effects of keeping fare levels low and increasing or maintaining service. The 1979 evaluation emphasized the program's contribution to (and the cost of) the "arrest" of a ridership decline that had characterized the entire post-war period. A national transit deficit of $6.7 billion was forecast for 1985 if the 1974 to 1977 trend continued. Although the Federal Government was not committed to covering any specific share of this deficit, the pressure was clearly on the Federal Government to increase operating subsidies and/or control costs.

Inflation has been the most significant factor underlying the transit cost increases, but a number of other factors have also contributed. The 1979 UMTA evaluation report identified the following breakdown of transit operating cost increases between 1973 and 1978 [8] :

-- inflation--64%,

-- service expansion--12%,

-- labor cost escalation in excess of amounts needed to match both inflation and service increases--13%,

-- staffing levels in excess of those attributable to service expansion--6%, and

-- fuel cost increases in excess of inflation and service expansion--4%

Such results are not peculiar to the United States. An international collaborative study completed in 1980 [9] demonstrates that subsidies tend to increase transit usage, but at a substantial cost that shows evidence of excessive manning levels and wage rates. Using multiyear data for 65 transit systems throughout Europe and the United States, and national aggregate data from 16 countries, the study found that each 10% increase in subsidy resulted in approximately a 2% patronage increase, achieved by virtue of a 5 percent fare reduction and a 3% service increase. However, over the ten year period from 20% to as much as 60% of the increased subsidy was dissipated through lower productivity. Each 10% increase in subsidy was linked with:

-- a 2% increase in the number of employees,

-- a 2 to 3% increase in transit wages in excess of inflation,

-- a 4 to 6% increase in average cost per vehicle-km, cost per passenger and cost per passenger-km, and

-- a 1.5 to 3% decrease in output per employee as measured by vehicle miles per employee, passenger journeys per employee and passenger-km per employee. [10]

The GAO report attributed soaring deficits, in part, to the inefficient use of labor and poor maintenance practices and documented inefficient and inequitable pricing practices. A 1979 study [11] supports the conclusion that Federal subsidies have stimulated the introduction of costly and underused conventional transit services based on "fair-share politics."

The mandates and requirements that accompany Federal financial assistance weaken the financial position of the transit industry. To cite just one example, the local share requirement for operating assistance requires dollar-for-dollar matching, but only from State and local sources. Fares and other operating revenues are not considered as part of the non-Federal contribution. This discourages efficient cost-based pricing principles in the industry and encourages management's orientation toward the extension of highly subsidized service.

Finally, Federal operating subsidies have made it more difficult for private operators to compete with conventional transit and have retarded the development of alternative services to meet the demand for passenger transport.

IV. IMPACTS OF THE PHASE-OUT

Internal UMTA Studies

The Administration's decision to phase out operating assistance was buttressed by internal studies that showed that transit systems and State and local governments generally could cope with the gradual elimination of Federal operating subsidies.

Two UMTA staff analyses of the effects of the phase-out involved looking at the impacts under two mutually exclusive worst-case

assumptions. One analysis assessed the impact if all previous Federal subsidies were replaced entirely by fare revenues; the other assessed the impact if the Federal contribution were entirely offset by service reductions. These scenarios were used to explore the possible worst-case impacts of the phase out under two extreme assumptions and do not imply in any way that the Federal Government believes that all Federal subsidies should be, or will be, replaced entirely with fare increases or offset by service reductions. In fact, the Department believes that the effects will be much less drastic than under either extreme because transit systems would use a variety of strategies to cope with lost Federal assistance. Fare and service changes are local options, as are other managerial actions to reduce costs and decisions to commit additional State or local subsidy support.

Major conclusions of these analyses are as follows:

A. Replacing Federal Subsidies from the Farebox [12]

1. For the Nation as a whole, fares would have to riseby about 11% a year if the Federal share of operating costs were to be recovered totally from the farebox. Expressed in constant 1981 dollars, the estimated national average fare of 42 cents would have to rise to 65 cents. This is a 23 cent increase.Spread over a four year phase out period, this would require an average increase of less than 6 cents per year.

2. The fare increases necessary to recover Federal assistance vary considerably from system to system depending on the current share of expenses covered by Federal assistance, the current share of expenses covered by the farebox, and the amount of patronage that is assumed to be lost due to increased fares.

3. In general only a few (generally larger) systems could replace Federal assistance entirely from farebox revenues. Examples of necessary fare increases for larger systems include a 17 cent increase in the early 1981 base fare of 60 cents for the New York City Transit Authority (about 5 cents a year over a four year phase out period) and a 31 cent increase in Portland's early 1981 base fare of 65 cents (about 8 cents a year).

4. Typically, smaller systems could not replace Federal revenues entirely from fares. The product of the new fare--no matter how high--and the lower level of ridership would not be large enough to replace Federal subsidies. In such cases, State and local assistance would have to be increased or subsidy need would have to be decreased by reducing service, reducing operating cost, or increasing productivity.

5. As a rough rule of thumb, when Federal assistance is more than half as large as a system's farebox revenues, Federal revenues could not be recovered from the farebox because too many riders would be lost as fares increased.

6. Transit systems are likely to use a number of pricing mechanisms to increase fare revenues. Examples of some proven methods with potential for increasing user revenues, while minimizing the ridership impact, include:

a. Distance-based fares. Over half of U.S. transit systems have flat fares.

b. Peak period pricing. Over 70 percent of U.S. transit systems do not charge higher fares in the peak.

c. Service-oriented fares, e.g., premium fares for express service.

d. Cost-oriented pricing, e.g., pricing service according to the costs of producing that service or to meet locally set targets of permissible deficit production.

e. Increased employer and private sector contributions.

B. Offsetting Federal Assistance through Service Reductions [13]

1. For the Nation, transit service would have to decrease roughly 25 percent to reduce operating expenses enough to completely replace Federal aid. Over a four year phase-out period, the decrease in total vehicle miles operated would amount to about 6 percent a year.

2. The amount of required service reduction for any given system depends on the proportion of cost covered by Federal assistance, the system operating cost per vehicle mile, the number of riders diverted as a result of service cutbacks, and the extent of service in the urban area.

3. The use of service reduction as a means to decrease expenses and offset Federal aid may penalize systems for past service efficiency. Systems exhibiting low operating costs per vehicle mile would have to reduce proportionately more service mileage than another system which receives the same subsidy level but has higher operating costs.

4. In general, the impact of service decreases would be more pronounced on small systems. Passengers in areas with low service levels would be more severely affected than riders in higher service areas and less choice exists for selecting service to be cut in lower-service areas.

5. The above analysis assumes across the board reductions in all service. In fact, it is likely--based on the experience of systems that have cut service--that service can be altered in a more productive way by a combination of the following methods:

a. Discontinue all service on a route or a portion of a route.

b. Decrease service frequencies by deleting specific runs at specific times.

c. Reconfigure (or restructure) route system.

d. Modify operational strategies, e.g., replace express service with local service.

e. Substitute one mode for another, e.g., the use of ridesharing, taxis or jitneys where they are more efficient than buses.

f. Remove State and local regulatory impediments to service innovations, e.g., paratransit deregulation.

UMTA has carried out an extensive program of research, demonstration and technical assistance specifically designed to help transit operators restructure fares and service in the most efficient and productive way with a minimum of impact on mobility.

State and Local Financial Capacity

A separate study by the Taxation and Finance staff of the Advisory Commission on Intergovernmental Relations [14] was

initiated in 1981 to analyze the potential of increased State and local financing for transit. Preliminary findings of this study with respect to dedicated sources of revenue for mass transit are summarized below:

1. Although the dedication of revenues for specific public services has been declining since the mid-50's, there appears to be a counter trend toward the use of dedicated revenues for financing transit.

2. About one-half of the Nation's cities now dedicate revenues for public transit. This number is increasing despite an atmosphere of "tax revolt."

3. A strong case exists for the use of dedicated rather than general revenues for financing transit. This is not the case for most local services.

4. The empirical evidence of increased use of dedicated revenues for financing transit combined with the theoretical arguments in favor of such dedication indicate that more local communities will dedicate revenues to finance transit operations in the absence of Federal subsidies.

The Regional Plan Association Study

A February 1981 study by the Regional Plan Association (RPA) of New York examined the impact of phasing out Federal operating assistance. The major conclusions of the RPA study were published in the 1981 APTA Transit Fact Book.

In summary, UMTA found the RPA study based on an assumption that the Reagan Administration intends that Federal operating subsidies be replaced entirely by fare revenues and on an implicit prediction that this would actually happen. The first assumption is wrong and the second assumption exaggerates the impact of phasing out Section 5 assistance. The RPA analysis also is based on other assumptions which tend to overstate the impact of the gradual withdrawal of Federal operating subsidies for transit. UMTA made a detailed response to this study in a December 22, 1981, letter to the Honorable Adam Benjamin, Jr., Chairman of the Subcommittee on Transportation of the House Appropriations Committee. [15]

APTA Survey

An August 1981 APTA survey [16] estimated that 27 of 112 systems surveyed could be forced to discontinue service as a result of Federal operating assistance reductions.

However, the results of this survey on the cessation of operations represent a "worst case possibility" rather than an outright prediction by respondents that their transit systems would close down. Only four systems actually responded "yes" to the question: "Would assumed cuts result in the cessation of operations?" Twenty-four systems said that such a cessation was "possible."

In fact, the APTA survey actually provides evidence that most operators could respond effectively to the phase out of Federal operating assistance without going out of business.

Specifically, the survey shows that respondents believe that several other actions are considerably more likely than the cessation of operations as responses to the phase out of Federal operating assistance:

-- 89% of the respondents thought that fare increases were likely,

-- 79% of the respondents thought that increased State and local assistance was likely, and

-- 56% of the respondents thought that the consideration of new tax sources for transit was likely.

UMTA recently had its Regional Offices contact the 27 systems that APTA reported would be the most affected to validate their current situation. While four systems said that they might have to cease operations as a result of phasing out Federal funds, the vast majority of systems responded that they would be able to maintain operations by increasing fares, increasing State and local assistance and cutting down on unproductive services.

Conclusion

In the final analysis the effects of the phase out will not be determined by analysts in Washington, nor will the impacts rest solely on the response of transit operators. Rather, the impacts of the phase out--and the steps taken to cope with it--will be determined in large part by hundreds of political decisions made in statehouses and city halls throughout the Nation. Each area will arrive at its own particular combination of actions based on the degree of local support for transit and local political priorities. Healthier and more viable transit operations can be expected to result from this adjustment process.

NOTES

1. U.S. Department of Transportation, "Fare Paper," Internal UMTA Staff Paper, Office of Program Evaluation, (1981).

2. U.S. Department of Transportation, "Impact on Provision of Transit Services as Operating Subsidies are Phased Out," Internal UMTA Staff Paper, Office of Program Evaluation, (1981).

3. Taxation and Finance Staff, Advisory Commission on Intergovernmental Relations (ACIR), "Dedicated Sources of Revenue for Mass Transit," Memorandum to U.S. D.O.T. (April 20, 1982).

4. Cited in American Public Transit Association, "Cuts Could Force End of 27 Systems," Passenger Transport, Volume 39, Number 51 (December 18, 1981).

5. U.S. General Accounting Office (GAO), "Soaring Transit Subsidies Must Be Controlled," Report to the Congress, (Advance Copy, 1981); also UMTA comments on the GAO report.

6. U.S. Department of Transportation, "Feasibility of Federal Assistance for Urban Mass Transportation Operating Costs," (November, 1971).

7. U.S. Department of Transportation, "Operating Assistance for Transit," (1979). U.S. Department of Transportation, "Transit Operating Performance and the Impact of the Section 5 Program," (1976).

8. See Note Number 7, "Operating Assistance for Transit;" See also Sale, James E. and Green, Bryan, "Operating Costs and Performance of American Public Transit Systems," American Planning Association Journal, (1978).

9. Webster, F.V. and Bly, P.H., The Demand for Public Transport, United Kingdom Transport and Road Research Laboratory (1980).

10. See Note Number 9, Table 3.5, page 26.

11. Jones, David W., "Cost-Revenue Squeeze in Conventional Transit," Transportation Research Board, S.R. 184 (1979).

12. See Note Number 1. Also see U.S. Department of Transportation, Transportation Systems Center, "Possible Effects of Fare Increases on New York City Transit Ridership and Revenues, (1981).

13. See Note Number 2.

14. See Note Number 3.

15. Regional Plan Association of the New York, New Jersey and Connecticut Metropolitan Region, "Replacing U.S. Transit Subsidy with Higher Fares Would Increase Gasoline Imports 167 Million Gallons a Year," Press Release, (February 20, 1981); U.S. Department of Transportation, Letter from Arthur E. Teele, Jr., to Hon. Adam Benjamin, Jr., on impacts of operating assistance phase out. (December 22, 1981).

16. See Note Number 4.

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Barnum, DT
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Indiana University; Gary; Gary, Indiana; 46408;
NE-11-0004; Nebraska University, Omaha; 60th and Dodge Street; Omaha, Nebraska; 68132
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A MODEL FOR MEASURING THE IMPACT OF SUBSIDIES ON MASS TRANSIT EFFICIENCY *

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Gleason, JM

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URBAN PUBLIC TRANSIT SUBSIDY LEVELS AND EFFECTS

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Note: Each entry is proceeded by a document record number that can be used to call up an abstract of the document from the Transportation Research Board TRIS computer data base.

APPENDIX

(Those items not generally available to the public are enclosed)

A. Urban Mass Transportation Administration Staff Analysis, "Fare Paper"

B. Urban Mass Transportation Administration Staff Analysis, "Impact on Provision of Transit Services as Operating Subsidies are Phased Out"

C. Taxation and Finance Staff, ACIR, "Dedicated Sources of Revenue for Mass Transit" (Draft Paper)

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L. Letter from Arthur E. Teele, Jr., to Honorable Adam Benjamin, Jr., on Impacts of Operating Assistance Phase Out

This appendix contains UMTA staff analyses, studies conducted by previous Administrations and independent papers. The Administration does not necessarily endorse all of the views, conclusions or recommendations contained in this material.

UMTA Staff Analysis
Jack Bennett, UPP-20
February, 1981

Fare Paper

SUMMARY

The purpose of this paper is: 1. to provide a history of fares, Federal operating subsidies and State and local operating subsidies in relation to inflation; 2. to analyze the impact on fares of phasing out Federal operating assistance under the assumption that the entire Federal share would be recovered from the farebox; and 3. to present three methods with special potential for increasing user revenues.

Major points are summarized below:

I. Fares, Federal Subsidies, State and Local Subsidies and Inflation

1. Fares have not kept pace with inflation. Fares increased less than inflation in each year from 1972 to 1979 (except 1976).

2. There is a recent trend towards higher fares. In 1980 the rate of increase in fares exceeded the rate of inflation. This is also likely for 1981.

3. Despite recent fare increases, fares have decreased in real terms. The national average transit fare decreased from 31.4 cents in 1972 to 23.7 cents in 1980, when measured in constant 1972 dollars.

4. Federal operating subsidies have outpaced inflation. The rate of change in Federal operating subsidies per vehicle mile substantially exceeded the rate of inflation, usually by a factor of 2 to 3, for each year since Federal operating subsidies began.

5. State and local subsidies have outpaced inflation. In each year since 1970, the rate of increase in State and local subsidies per vehicle mile has exceeded the rate of inflation (with the exception of 1975).

6. The rate of increase in State and local operating subsidies declined significantly after Federal operating assistance began. From 1970 to 1974 State and local subsidies per vehicle mile increased at an annual average rate of 48.8 per percent. From 1974 to 1979 State and local subsidies per vehicle mile increased an annual average rate of 11.9 percent.

II. Impact of Phasing out Federal Operating Assistance on Fares.

This section examines the potential for recovering lost Federal operating assistance from the farebox. For the purposes of analysis it is assumed that an attempt is made to recover the entire Federal share from the farebox. This does not imply in any way that local transit operators should rely only on the farebox to recover lost Federal assistance. The analysis is intended rather to show the limits of farebox financing. Major conclusions are summarized below:

1. For the nation as a whole, fares would have to rise by about 55 percent to recover the lost share of Federal operating assistance

   In constant 1981 dollars, this would amount to an increase in the current national average fare of 42 cents to 65 cents. Over the four year phase-out period this would amount to an average increase of about 6 cents.

2. National analysis of this sort is misleading however since the fare increases necessary to recover lost Federal assistance vary considerably from system to system depending on the current share of expenses covered by Federal assistance, the current share of expenses covered by farebox, and the amount of patronage that is assumed to be lost due to increased fares.

3. In general only a few (generally larger) systems could replace Federal assistance with farebox revenues. Necessary fare increases for larger systems vary from a 17 cent increase in the 60 cent base fare for the New York City Transit Authority (about 5 cents a year over the four year phase out period) to a 72 cent increase in SEPTA's 60 cent base fare (18 cents a year).

4. Most smaller systems could not replace Federal revenues with fares. This is because riders are lost when fares increase. The product of the new fare - no matter how high - and the new, lower level of riders would not be large enough to replace lost Federal assistance.

   In such cases State and local assistance would have to be increased or costs would have to be decreased, probably by reducing service.

5. As a rough rule of thumb, when Federal assistance is more than half as large as a system's farebox revenues, lost Federal revenues could not be recovered from the farebox, because too many riders would be lost as fares increased.

6. Of 95 transit operators reporting for the first year of Section 15 reporting system, 77 systems would require increases in Farebox revenues of more than 50 percent. The distribution by city size is summarized below:

Number of Systems where Federal Assistance is:

City Size	Less than 50% of Farebox Revenues	More than 50% of Farebox Revenues
Over 1 million	8	17
500 - 1 million	3	10
200 K - 500 K	3	22
less than 200 K	4	28
Total	18	77

III. Three Ways To Increase User Revenues

Three well-known and well-tried methods have significant potential for generating user revenues in place of Federal assistance. Two of them were abandoned during the growth of Federal subsidies and could easily be re-established. These are:

1. Distance-based Fares.

   Over half of U. S. transit systems have flat fares.

2. Peak Period Pricing.

   About 77 percent of U. S. transit systems do not charge higher fares in the peak.

3. Employer and Private Sector Contributions.

I. Fares, Federal Subsidies, and State and local Subsidies in Relation to Inflation

This section presents a brief history of recent trends in transit assistance. The rate of increases in Fares, Federal subsidies and State and local subsidies are compared to the rate of inflation.

A. Trends in Transit Assistance

Table 1 presents national statistics on transit expenses, operating revenues, and Federal, State and local operating subsidies for transit from 1940 through 1979. The table is based on data from the APTA Transit Fact Book and from the U.S. Census of Governments for State and local subsidies from 1970 through 1974.

TABLE 1

[illegible] FEDERAL, STATE, AND LOCAL TRANSIT SUBSIDIES, WITH SUBSIDIES SHOWN AS A % OF TOTAL OPERATING EXPENSES

SELECTED YEARS

($ in Millions)

Year	TOTAL OPERATING EXPENSES (Including Taxes)	ALL REVENUES (Fares and Other)	% of Column 1	NET OPER. REVENUE (Deficit) After Taxes	STATE SUBSIDIES		LOCAL SUBSIDIES		FEDERAL SUBSIDIES	
					$	% Col. 1	$	% Col. 1	$	% Col. 1
	1	2	3	4	5	6	7	8	9	10
1960	$ 660.7	$ 727.8	111.5	$ 76.2	-	-	-	-	-	-
1965	1,211.7	1,380.4	113.1	168.7	-	-	-	-	-	-
1966	1,285.7	1,452.1	104.8	66.4	-	-	-	-	-	-
1967	1,378.7	1,426.4	104.1	55.7	-	-	-	-	-	-
1968	1,376.5	1,407.2	102.2	30.7	-	-	-	-	-	-
1969	1,454.4	1,463.8	99.2	(10.6)	-	-	-	-	-	-
1970	1,995.6	1,787.4	85.6	(206.2)	-0-		221.8	11.5		
1971	2,152.1	1,740.7	80.9	(411.4)	19.5	0.5	299.5	13.9	-	-
1972	2,341.6	1,728.5	77.1	(511.1)	84.1	4.2	279.7	12.5	-	-
1973	2,536.1	1,797.7	70.9	(738.5)	138.5	5.5	398.3	15.7	-	-
1974	2,239.6	1,939.7	80.0	(1,299.7)	281.2	11.8	667.4	28.6	-	-
1975	3,757.6	2,068.0	54.5	(1,700.6)	486.6	10.0	699.4	18.3	350.0	9.0
1976	4,042.6	2,235.1	54.8	(1,866.5)	387.1	9.0	867.4	21.0	422.9	10.4
1977	4,384.6	2,353.6	53.9	(2,013.0)	478.4	11.0	941.1	20.3	544.5	13.4
1978	4,788.9	2,669.9	55.3	(2,130.0)	564.3	11.0	977.8	20.4	649.5	14.4
1979	[illegible]	[illegible]	57.7	(2,994.1)	662.6	10.9	(1)[illegible]	[illegible]	977.9	15.5

SOURCE: APTA FACT BOOK 1960-1979. State and local subsidies from 1970-1974 are from the Census of Governments.

NOTE: Total expenses are not covered by the sum of columns 2, 5, 7 and 9. This is due to several factors including (1) use of the accrual system of accounting rather than the cash system of accounting, (2) annualization of accounts of transit systems recording revenue and expense in a variety of fiscal or calendar years, (3) inclusion of depreciation and amortization costs in "total expense" that are not from revenue sources not included in "total revenue," (4) exclusion of extraordinary revenues and "extraordinary expenses," (5) actual profit or loss of privately owned transit systems, and (6) actual surplus or deficit of publicly owned transit systems.
Table excludes automated guideway transit, commuter railroad, and urban ferry boat.

The table shows a pattern of increasing financial participation by higher levels of government. Revenues exceeded expenses for the industry as a whole as late as 1960. State operating assistance for transit started in 1971, while Federal operating assistance began in 1975 after the passage of the National Mass Transportation Act of 1974.

Local governments have been the largest single source of transit operating assistance. From 1974 to 1978, local assistance accounted for around 20 percent of operating expenses. In 1979 the local share jumped to 24 percent.

The Federal government is the second largest source of transit operating assistance funds, accounting for an estimated 15.5 percent of transit operating costs in 1979. Federal expenditures for transit operating assistance grew fairly rapidly as a percent of total operating expenses in the early years of the program.

State assistance has grown in absolute terms every year since 1971 and has accounted for about 10 percent of operating expenses since 1974. The number and size of state operating assistance programs have grown steadily in the 1970's, in part as a result of the Section 5 program.

The percentage of total operating costs covered by fares and other operating revenues declined steadily from about 85 percent in 1970 to about 60 percent in 1974. This figure stabilized at about 54 percent for 1975, 1976 and 1977 and moved below 50 percent for the first time in 1979.

B. Fares and Inflation TABLE 2

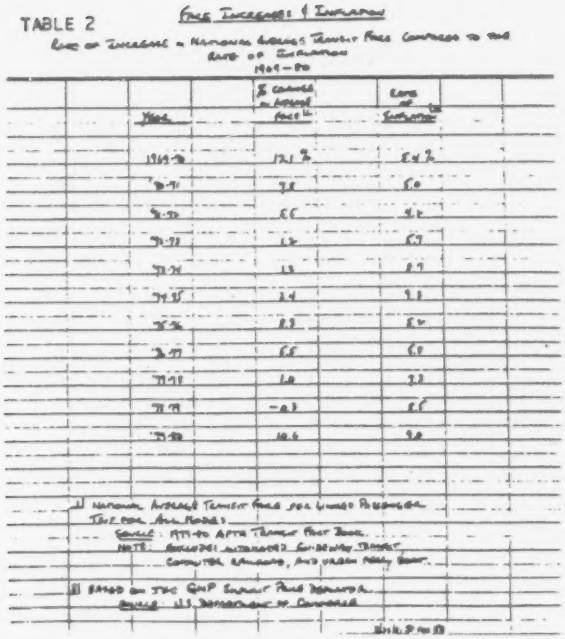

Table 2 compares the rate of change in the national average transit fare with the inflation rate for each year from 1969 to 1980. The Before 1973 fares increased faster than inflation. But after State and local subsidies became sizeable around 1973 fare increases lagged behind inflation. The advent of Federal subsidies in 1975 contributed to fare stablization. Except for 1976, Fares increased less than inflation for each year from 1972 to 1979.

There has been a recent trend towards higher fares in response to a severe escalation of transit operating costs. In 1980 the rate of increase in fares exceeded the rate of inflation. This is also likely to happen in 1981.

Despite these increases, fares have decreased significantly in real terms. The national average transit fare decreased from about 31 cents in 1972 to about 24 cents in 1980, when measured in constant 1972 dollars.

As previously mentioned, low fares have been made possible by Federal, state and local subsidies.

C. Federal Operating Subsidies and Inflation

TABLE #3

Federal Operating Subsidies & Inflation
Rate of Change in Federal Operating Subsidies per Vehicle Mile Compared to the Rate of Inflation
1975-79

Year	% Change in Federal Operating Subsidies per Vehicle Mile [1]	Rate of Inflation [2]
75-76	38.2	5.2
76-77	39.3	5.8
77-78	17.6	7.1
78-79	23.8	8.5

[1] Source: Calculated from the 1979-80 APTA Transit Fact Book

[2] Source: Based on the GNP Implicit Price Deflator, U.S. Department of Commerce.

Federal operating subsidies for transit have increased more than inflation. Table 3 compares the percent change in Federal operating subsidies per vehicle mile with the rate of inflation as measured by the GNP Implicit Price Deflator. For each year since Federal subsidies began, Federal operating assistance per vehicle mile has increased faster than inflation by factors ranging from two to six. This high rate of increase has permitted a slackening in the rate of increase in State and local subsidies.

D. State and Local Subsidies and Inflation

In table 4 State and local subsidies are combined. In reality it is often fairly difficult to distinguish State revenue sources from local revenue sources since local taxation is always authorized by the States.

TABLE 4

State & Local Operating Subsidies and Inflation
Rate of Change in State & Local Operating Subsidies per Vehicle Mile Compared to the Rate of Inflation
1970-79

Year	% Change in State & Local Operating Subsidies per Vehicle Mile [1]	Rate of Inflation [2]
1970-71	36.2%	5.0%
71-72	18.0	4.4
72-73	34.2	6.7
73-74	32.7	8.7
74-75	11	9.3
75-76	8.6	5.2
76-77	8.1	5.8
77-78	16.4	7.1
78-79	26.5	8.5

[1] Source: 1979-80 APTA Transit Fact Book
70-74 State & Local Subsidies are from the Census of Governments

[2] Source: Based on the GNP Implicit Price Deflator, U.S. Department of Commerce.

With the excention of 1975, State and local subsidies per vehicle mile increased faster than the rate of inflation.

More important, however, the table shows that State and local subsidies tapered off in response to Federal subsidies. From 1970 to 1974 State and local subsidies per vehicle mile increased at an annual average rate of 48.8 percent. From 1974 to 1979 State and local operating subsidies per vehicle mile increased at an annual average of 11.9 percent.

II. Impact on Fares of Phasing -out Operating Assistance

This section examines the limits of recovering the lost Federal share of operating assistance from the Farebox. It examines the extreme case of trying to recover all lost Federal revenue with fare increases. This assumption is for analytical purposes only and in no way implys that localities should recover all lost Federal revenues from the Farebox. Transit financing is primarily a local responsibility - so we may expect localities to adopt a variety of strategies for coping with lost Federal operating assistance. These strategies might include:

Fare Increases

Service Decreases

Increased State subsdies

Increased local subsidies

Increased contributions from private enterprise, and

Changes in work rules and labor contracts

Each of these topics is worthy of detailed analysis. This paper concentrates on Fare increases.

A. Analysis Based on Sample of 19 Systems Using 1980 Section 15 Data

Fare increases necessary to recover all lost Federal revenues from the Farebox were calculated as follows:

1. The current proportion of operating expenses covered by Federal assistnace, state assistance, local assistance, and farebox revenues was calculated for each system using the latest available data from the Section 15 reporting system. Figures represented with calendar year 1979 or Fiscal year 1980 depending on the reporting period of each system. National aggregate figures were taken from the 1979-1980 APTA Transit Fact Book (Not yet published).

2. The percentage of expenses covered by state and local assistance was assumed to be constant through 1985.

3. For each system, the percentage of fare increase necessary to make farebox revnues replace Federal assistance was calculated using the following fare elasticities. (A fare elasticity of-.2 means that a fare increase of 10 percent results in a 2 percent loss in patronage).

	Elasticity
Nation as a whole	-.23[2]
Systems with over 1000 Vehicles	-. 2
Systems with 100-1000 Vehicles	-. 3
Systems with 50-99 Vehicles	-.35

4. The Necessary percentage increase in fares for each system was applied to each systems 1981 base fare. The result is the cumulative fare increase in constant 1981 dollars necessary to replace Federal revenues over the phase-out period.

5. Since it is proposed that Federal assistance be phased-out over a four year period, an average annual increase was calculated for each system by dividing by four.

* The same method was used for the national analysis presented in the summary.

Table 5 presents the results for the nineteen cities. Note for example, in New York that for farebox revenues to increase by 20.7 percent, the current base fare must increase from 60 cents to 77 cents an increase of 28 percent. Fare increases have to be larger than necessary increase in Farebox revenues because riders are lost as fares increase. This loss varies substantially from system to system depending on a complex set of factors. In summary, it could be said that there are really no agreed upon elasticity of demand assumptions for transit fare increases.

The assumptions used in this analysis are in the middle of various measurements. But no great accuracy is claimed for these elasticity assumptions. Rather these figures were used so the analysis would not assume that riders remain constant as fares increase.

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2. This was the mean fare elasticity of 31 separate U.S. measurements in a report titled The Demand for Public Transport published by the UK Transport Road Research Laboratory in 1980.

TABLE 5

Replacing Federal Operating Assistance
with Farebox Revenues

ystem	% Increase In Farebox Rev. Nec. to Replace Fed. Assistance	Current Base Fare	Base Fare Nec. to Replace Fed. Assistance	Average Ann. Fare Increase through Fy '85
Greater than 1000 Vehicles: (e = - .2)				
CTA (New York City)	20.7%	60cents	77cents	4.3cents
TA (Chicago)	28.8%	80cents	$1.12	8cents
RTD (Los Angeles)	52.8%	65cents	$1.19	13.5cents
PTA (Philadelphia)	64.7%	65cents	$1.37	18cents
ATA (Washington)	64.4%	60cents	$1.27	16.7cents
TA (Boston) - Bus	47.7%	25cents	43cents	9cents
TA (Boston) - Rail	47.7%	50cents	86cents	4.5cents
500 - 1000 Vehicles: (e = -.3)				
Metropolitan Dade County Transity Authority (MIA)	27.5%	75cents	$1.13	9.5cents
Milwaukee County Transit	52%	65cents	No Solution	--
Tri-County Metropolitan Transit Authority (Portland)	26.3%	65cents	96cents	7.8cents
250 - 499 Vehicles: (e = - .3)				
Bay Area Rapid Transit District (San Francisco)	9.7%	50cents	56cents	1.5cents
Southwest Ohio Regional Transportation Authority	63.3%	35cents	No Solution	
San Diego Transit Corporation	50%	50cents	No Solution	
100 250 Vehicles: (e = - .3)				
Indianapolis Public Transportation Corporation	48%	50cents	No Solution	
Gary Public Transportation Authority	62.5%	50cents	No Solution	
Sacramento regional Transit Authority	78%	50cents	No Solution	
Santa Clara County Transit	250%	25cents	No Solution	
50 - 99 Vehicles: (e = - .35)				
[illegible] Authority	65%	45cents	No Solution	

The term "no solution" in the table refers to there being no solution for the quadratic equation that would produce a fare high enough to recover lost Federal revenues exclusively from the Farebox. In effect with the level of diversion of riders that is assumed, it is impossible to recover the lost Federal share. As various Fares are tested, total revenues increase, but begin to decline before the necessary Federal share can be recoverd. In such cases, localities would probably adopt multi-facted strategies, most likely focusing on increasing State and local subsidies and cutting back on marginally productive service.

The major conclusions to be drawn from table 5 are:

1. Only a few (generally larger) systems could replace Federal assistance from the Farebox.

2. Most smaller systems could not replace Federal revenues from the Farebox.

The Fare increase necessary to recover lost Federal revenues depends on:

- The current share of expenses covered by Federal assistance,
- The current share of expenses covered by the Farebox,
- The current share of Expenses covered by State and local assistance, and
- The riders that are assumed to be lost due to Fare increases.

The next section focuses on the First three factors for 95 systems that reported Section 15 for 1979.

B. Analysis based on 95 systems submitting Section 15 Reports for 1979

The following analysis was done for 95 systems that submitted the relevant data for the First Year reports (CY 78 or FY 1979) under the Section 15 reporting system. In this case we did not attempt to solve for the necessary fare increase for each city. Rather systems were divided into:

- Those that would need to increase Farebox revenues by less than 50 percent and
- Those that would need to increase Farebox revenues by more than 50 percent.

The 50 percent figure roughly divides those systems that could recover lost revenues from the Farebox from those that couldn't. Remember that a 50 percent increase in Farebox revenues requires more than a 50 percent increase in Fares, with the exact increase depending on the amount of riders that are assumed to be lost as fares increase.

TABLE 6

Percent Fare Increases Necessary to Replace Federal Revenues For 95 Transit Systems

City Size	Number of Systems where Assistance is: Less than 50% of Farebox Revenues	More than 50% of Farebox Revenues
Over 1 Million	8	17
500- 1 Million	3	10
200K - 500K	3	22
Less than 200 K	4	28
TOTAL	18	77

Results are quite similar to the 19 city sample. Most cities probably could not recover lost Federal revenues with Fares. As city size decreases it becomes less probable that a system could recover lost Federal revenues from the Farebox.

III. Three Ways to Increase User Revenues

The analysis in Section II assumed that transit systems would retain their existing fare structures. In fact, localities change their fare structures in response to the availability of subsidies. For example, Federal operating subsidies for transit are associated with a general"flattening" of Fares with systems moving away from distance or zone charges and away from higher fares for peak period travel. As Federal operating subsidies are phased out, it is likely that systems would move back towards distance based fares and higher fares in the peak. Both stragies have the potential to increase revenues and to reduce the subsidization of commuters by off-peak users and by inner city transit users who take short trips.

Another strategy with good potential for replacing Federal subsidies involves contributions from the employers and merchants who benefit from transit.

A. Distance - Based Fares

Longer transit trips cost more because they use more labor and vehicle time. [1] Distance-based fare policies are an efficient and equitable means for recouping the increased costs of longer trips. This method also has potential. A recent survey of 139 cities showed that 57 percent of the responding system had no distance-based or zone fares in 1980.[3] Small and medium sized cities have the greatest potential for increasing revenues by changing to distance-based fares. (two-thirds had flat fares). These are precisely the areas that would be most affected by the phase-out of Federal subsidies.

B. Peak Period Pricing

Economists ofter refer to the extreme "peaking" of transit demand as transit's "albatross". [4] Peak period service is variously estimated to be two to three times as costly per unit of service as off-peak service. Yet an estimated 77 percent of the U.S. transit systems do not charge higher fares for travel in the peak. If it were not for the policy of meeting rush hour demand at low cost to the user, a number of transit systems could break even.

Peak period pricing is not only more efficient, but also more equitable than charging the same fare all day.[5] This is because commuters would be less subsidized by off-peak users under a peak period pricing scheme.

C. Employer and Merchants Contributions

Employers and merchants are often the indirect beneficiaries of transit. There is considerable potential for tapping these beneficiaries as a source of transit revenues through the following mechanisms:

- Employer Transit Subsidies

  An estimated 5,200 c.S. employers participate in transit subsidy programs for their workers, producing revenues estimated at about $67 million in 1980. The U.S. Conference of Mayors study found that 58 of 112 responding cities either fully or partially subsidized the purchase of transit tickets for their employees.

- Merchant Subsidies

  A number of merchants provide transit subsidies for their patrons. One UMTA deomonstration in Spokane, will test the impact of giving tokens to boarding passengers that are exchangable for discounts on goods and services with several merchants. The merchants pay for the cost of token reimbursement.

  Other forms of Merchant subsidies have also been tested.

- Payroll Taxes

  Oregon has a payroll tax on firms served by transit. The potential of an employer tax for financing transit is illustrated by paris where 22 percent of total transit revenues were supplied by a 2 percent tax on salaries.

The methods described above have evolved without any particular emphasis from Federal, state or local governments. The phasing out of Federal operating assistances could provide the incentive necessary for governments to push these ideas and for employers and merchants to recognize the benefits of transit and pay for these benefits.

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1. Robert B. Cervero, et. al., Efficiency and Equity Implications of Alternative Transit Fare Policies (U.S. DOT, 1980), pp. 56-61.
2. Robert B. Cervero, "Efficiency and Equity Impacts of Current Transit Fare Policies," Transportation Research Board Annual Meeting (December, 1980), pp. 12-15.
3. U.S. Conference of Mayors, The Transit Financing Agenda for the 1980s, for U.S. DOT (February, 1981), Table 8, pp. 25-26.
4. K.J. Button, The Economics of Urban Transport, (Westmead, U.K., 1977), p. 64.
5. Cervero, op. cit., pp. 15-18.
6. Conference of Mayors, op. cit., Table 9, pp. 25-27.

ITEM B. - Urban Mass Transportation Administration Staff Analysis
"Impact on Provision of Transit Services as Operating Subsidies are Phased Out"

UMTA Staffing Analysis
Eric Bers, UPP-20
March, 1981

SUMMARY

Impact on Provision of Transit Services as Operating Subsidies are Phased Out.

The purpose of this paper is:

1. To provide a trend analysis of transit operating expenses, ridership and service efficiency;

2. To analyze the impact on provision of transit services of phasing out Federal operating assistance under the assumption that the entire Federal share would be offset by decreasing expenses through reduction in transit service; and

3. To identify and present four methods that local jurisdictions might utilize to decrease service.

Major points are summarized below:

I. Operating Expenses, Ridership and Service Efficiency

1. Transit operating expenses increased 176 percent since 1970 while operating deficits expanded ten-fold. Although the inflation rate was nearly 78 percent, expenses grew faster by 126 percent. The operating deficit enlarged primarily since fares did not keep pace with inflation. Revenues account for only 48 percent of current expenses.

2. Generous labor contracts have increased expenses faster than inflation rates. Eighty percent of transit workers-compared to only 10 percent of other American workers-are fully protected against inflation by cost-of-living clauses in their union contracts. The cost of operating a transit vehicle a single mile increased 75 percent in constant dollars from 1960 through 1979.

3. Ridership is growing slowly. In 1972, ridership bottomed-out after decades of steady decline. Vehicle miles operated and patronage both expanded at less than 1 percent annually during the last decade.

4. Transit service efficiency is apparently declining. Between 1970 and 1979, ridership grew approximately 7.4 percent, but operating cost per passenger increased 156 percent and operating cost per vehicle mile rose 157 percent.

5. Transit productivity is decreasing. Since the beginning of operating assistance programs in 1970, employment levels expanded 20 percent and annual payroll grew by 115 percent. During this period, vehicle miles operated per employee declined 11.3 percent and passengers carried per employee decreased 19.2 percent.

II. Impact on Provision of Transit Services of Phasing Out Operating Assistance.

This section examines the potential for recovering lost Federal operating assistance by decreasing expenses through reduction of transit service, i.e. decreasing vehicle miles operated. For analytical purposes, it is assumed that all lost Federal revenue is offset through reduction of operating expenses (by decreasing service). This assumption in no way implies that local transit operators should recover all lost subsidies by reducing service. The analysis presents the limits of reducing operating expenses through service cut-backs. Major conclusions are:

1. For the nation, transit service as measured in vehicle miles would decrease roughly 25 percent to reduce operating expenses to offset lost Federal aid. Over the four year phase-out period, this decrease would amount to slightly over 6 percent annually of the total vehicle miles operated.

2. A national analysis can distort the expected impacts to individual properties based on the data from large properties. The New York City Transit Authority (NYCTA) accounts for over 64 percent of all vehicle miles operated. Outside the NYCTA, national service would be reduced almost 28 percent. The amount of service decrease varies for each system depending on the current share of Federal assistance, the system operating cost per vehicle mile, the number of riders diverted as a result of service cut-backs, and the extent of service in the urban area.

3. The use of service reduction as a means to decrease expenses and offset lost Federal aid may penalize systems for past service efficiency. Systems exhibiting low operating costs per vehicle mile would have to reduce proportionately more service mileage than another system which receives the same subsidy level but has higher operating costs.

4. Decreasing service mileage could improve the efficiency of the transit industry although it is doubtful improvements would be realized. Peak service requires more subsidy than non-peak service. Yet proposed and implemented service cut-backs seem to concentrate on Saturday, Sunday, evening, mid-day and special services. By reducing the cheaper routes, more vehicle miles invaribly would be reduced.

5. The impact of service decreases would be more pronounced on small systems and greater service reductions could be expected than estimated. Passengers in areas with low service levels are more severely affected than riders in higher service areas and less choice exists for selecting service cuts in lower-service areas. In the smaller service areas, discontinuing routes or decreasing headways would drive users from the system due to set work schedules and appointments.

III. Methods to Reduce Service

Four methods were presented to reduce service by decreasing vehicle miles of operation. These methods were identified through a literature search as well as recent experience from the MBTA in Boston, MA. While each method individually could be utilized, experience suggests that a combination of each method is more appropriate. They are as follows:

1. Discontinue all service on a route or a portion of a route.

2. Decrease service frequencies by deleting specific runs.

3. Substitute one mode for another, e.g. replace rail transit with motor bus operations.

4. Reconfigure (or restructure) route system.

Impact on Provision of Transit Services as Operating Subsidies are Phased-Out

This paper examines the limits of recovering the lost Federal share of operating assistance by decreasing expenses through a reduction in transit service, i.e. decreasing vehicle miles operated. It presents the extreme case of offsetting all lost Federal revenue with service decreases. This assumption is for analytical purposes only and in no way implies that localities should recover all lost Federal assistance by reducing transit service. Faced with a loss of Federal operating assistance, transit operators can be expected to increase existing sources of revenue and simultaneously reduce operating expenses. These strategies might include:

Fare Increases

Increased State Subsidies

Increased local Subsidies

Increased Contributions from Private Enterprise

Service Decreases

Changes in Work Rules and Labor Contracts, and

Management Improvements

While a combination of these strategies would be employed in each urban area, the precise mix is unknown since the decision is strictly a local one. This paper focuses on decreases in transit service. A previous paper concentrated on fare increases.

I. Transit Operating Expenses, Ridership and Service Efficiency

This section presents a brief history of recent trends in transit operating expenses, ridership and service efficiency. The trends identified in operating expenses and ridership are used to analyze transit service efficiency.

A. Trends in Operating Expenses

Table 1 presents national statistics on transit expenses, operating revenues, vehicle miles operated, and operating costs for transit from 1940 through 1979. The table is based on data obtained from the APTA Transit Fact Book.

The table displays a pattern of decreasing net operating revenue. While total operating expenses and revenue both increased, expenses increased more rapidly than revenues. In 1965, expenses exceeded revenue for the first time. Since that date, the deficit has increased dramatically and revenues account for only 48 percent of total expenses. Local and State operating assistance for transit started in 1970 and 1971 respectively, and Federal operating assistance began in 1975 after the passage of the National Mass Transportation Act of 1974. These assistance programs were implemented in part to maintain service at a reasonable fare.

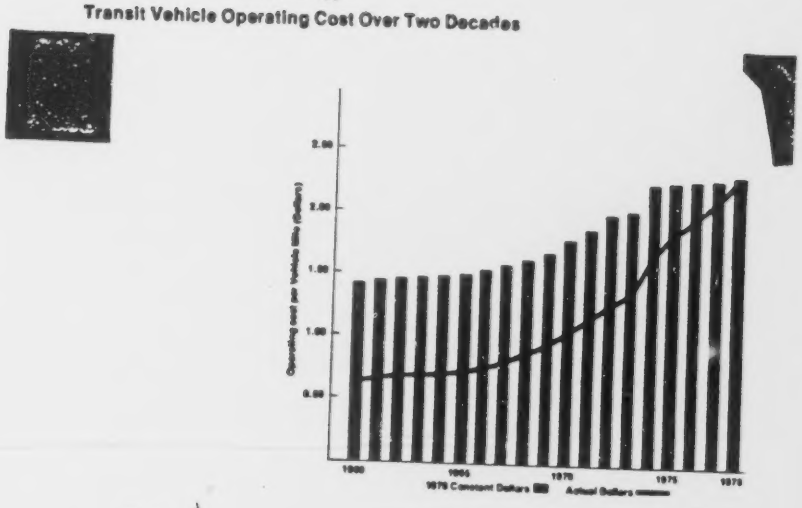
Total vehicle miles operated declined from a high of 3,253.8 million in 1945 to a low of 1,755.6 million in 1972. Since 1965 - when revenues exceeded expenses for the industry - vehicle miles operated has been rather stable. However, the operating cost per vehicle mile has climbed steadily from $0.25 in 1940 to $2.72 in 1979. Operating cost per mile has increased nearly three-fold since 1965.

Soaring operating costs have been affected by inflation. Figure 1 traces transit vehicle operating cost over two decades. Between 1960 and 1978, the cost of operating a transit vehicle a single mile increased 63 percent in constant 1978 dollars, from $1.42 to $2.32. This increase in operating costs is a direct result of changes in transit ownership and operating policy and excessive price increases in items used by transit systems. [1]

The fastest growing cost for bus transit systems in the last decade has been motor bus fuel. Figure 2 indicates that the cost of No. 1-D diesel fuel has jumped 450 percent in the last nine years, from 12 cents per gallon excluding taxes in 1970 to 65 cents per gallon excluding taxes in the summer of 1979. This price increase of diesel fuel is five times as great as the Consumer Price Index, which rose only 88 percent during the same time period. Because fuel prices are rising faster than inflation, fuel costs are becoming a larger portion of transit system expenses. As shown in the figure, fuel costs accounted for 2.5 percent of transit system budgets for motor bus operations in 1970 but 7.7 percent in 1979. [2]

FIGURE 15/

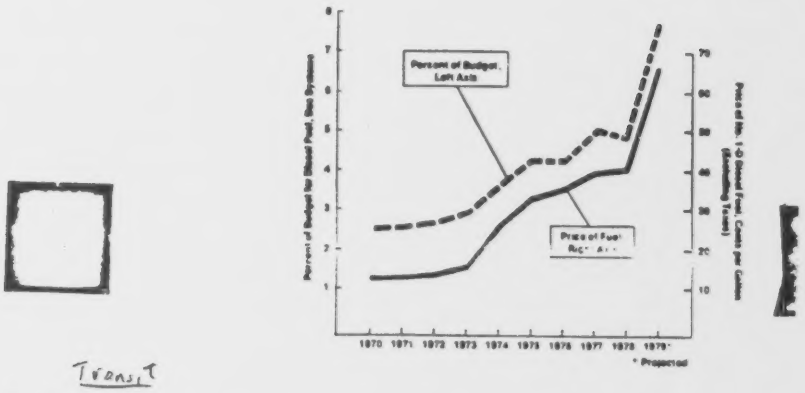
Transit Vehicle Operating Cost Over Two Decades



Source: APTA, Transit Fact Book, 1979.

FIGURE 16

Motor Bus Diesel Fuel Costs



Source: APTA, Transit Fact book, 1979.

Table 1
Trends of Operating Expenses and Revenues

Year	Total Operating Expenses (Including Taxes)	All Revenues (Fares/Other)	Net Oper. Revenue (Deficit After Taxes)	Total Vehicle Mls. Oper. (millions)	Oper. Cost Per Veh. Mi* (dollars)
1940	$660.7	$737.0	$76.3	2,596.0	0.25
1945	1,231.7	1,380.4	148.7	3,253.8	0.38
1950	1,385.7	1,452.1	66.4	3,007.6	0.46
1955	1,370.7	1,426.4	55.7	2,447.5	0.56
1960	1,376.5	1,407.2	30.7	2,142.8	0.64
1965	1,454.4	1,443.8	(10.6)	2,008.2	0.72
1970	1,995.6	1,707.4	(288.2)	1,883.1	1.06
1971	2,152.1	1,740.7	(411.4)	1,846.3	1.17
1972	2,241.6	1,728.5	(513.1)	1,755.6	1.28
1973	2,536.1	1,797.7	(738.5)	1,834.6	1.38
1974	3,239.4	1,939.7	(1,229.7)	1,907.4	1.70
1975	3,757.6	2,048.0	(1,709.6)	1,989.7	1.89
1976	4,082.6	2,236.1	(1,846.5)	2,026.3	2.15
1977	4,366.6	2,353.6	(2,013.0)	2,021.3	2.16
1978	4,788.9	2,449.9	(2,339.0)	2,028.3	2.36
1979	5,513.8	2,629.7	(2,884.1)	2,023.3	2.72

*Computed by dividing Total Operating Expenses by All Revenues.

Source: APTA Fact Book, 1940 - 1979.

Rising transit operating costs can be traced largely to labor costs, now more than 80 percent of expenses. Since 1960, consumer prices have risen 235 percent, but average transit wages have increased 404 percent.[3] Eighty percent of transit workers-compared to only 10 percent of other American workers-are fully protected against inflation by cost-of-living clauses in their union contracts.[4] The average number of employees has increased steadily during the past decade, however, the current employment level is far below that of the forties and fifties when net operating revenues were positive. When public authorities took over former privately owned systems large increases in staff were needed for improved vehicle maintenance, public relations, long term planning and special services. As employee levels increased, the position of organized labor tightened. Annual payroll increased 220 percent between 1960 and 1978, but 49 percent during the 1960 decade and 115 percent from 1970 through 1978.

B. Trends in Transit Utilization

Table 2 compares trends in total passenger trips, total passengers, total vehicle miles operated and trips per vehicle-mile operated. Total passenger trips (including transfers) and total passengers using transit have declined from the 1960's to present levels. The low point was reached in 1972 and passenger utilization has increased steadily each year since. Many attribute the energy crisis of 1973-1974 for the upturn in ridership. During the recent upsurge, total trips rose faster than total passengers, indicative of more transfers and less direct service. In absolute terms, less modal transferring is taking place at the present

time compared to the 1940's, although a higher proportion of transfers are performed currently.

Total vehicle miles operated follow the same basic trends as ridership figures and also dropped to an all-time low in 1972. After 1972, ridership increased at a greater rate than vehicle miles, however, since 1970 (and the beginning of assistance programs) vehicle miles have increased more rapidly than passenger volumes. Vehicle miles operated and passenger trips can be combined to provide a more definitive picture of transit utilization.

With two minor exceptions, passenger trips per vehicle-mile operated have steadily declined from the 1940's until 1976 and now have increased for three consecutive years. While the absolute number of transit trips per mile operated is relatively low compared to the high levels of transit's heyday, transit is, nonetheless, being utilized more heavily at the current time.

C. Trends in Transit Service Efficiency

Transit service efficiency is reviewed in this section by considering recent trends in the 1970's of the following factors:

operating cost per vehicle mile
operating cost per passenger
vehicles miles operated per employee
passengers per employees

Table 2
Trends in Transit Utilization

Year	Total Pass. Trips (millions)	Total Pass. (millions)	Total Veh. Mls. Oper. (millions)	Trips Per Veh. Ml. Operated*
1940	13,098	10,504	2,596.0	5.05
1945	23,254	18,982	3,253.8	7.15
1950	17,246	13,845	3,007.6	5.73
1955	11,529	9,189	2,447.5	4.71
1960	9,395	7,521	2,142.8	4.38
1965	8,253	6,798	2,008.2	4.11
1970	7,332	5,932	1,883.1	3.89
1971	6,847	5,497	1,846.3	3.71
1972	6,567	5,253	1,755.6	3.74
1973	6,660	5,294	1,834.6	3.63
1974	6,935	5,606	1,907.4	3.64
1975	6,972	5,643	1,989.7	3.50
1976	7,081	5,673	2,026.3	3.49
1977	7,286	5,723	2,021.3	3.60
1978	7,616	5,963	2,028.3	3.75
1979	8,130	6,370	2,029.3	4.01

*Computed by dividing Total Passenger Trips by Total Vehicle Miles Operated.

Source: APTA Transit Fact Book, 1940-1979.

As explained earlier, operating costs per vehicle mile have increased 157 percent between 1970 and 1979, or nearly 16 percent annually. This increase was over twice as large as inflation which was 77.7 percent over the same time period. Similarily, operating cost per passenger increased 156 percent from 1970 through 1979, or almost 16 percent annually. Thus, ridership is growing 0.7 percent each year while costs are rising 16 percent.

Other indicators of transit productivity include vehicle miles operated per employee and passengers per employee. Between 1970 and 1978, vehicle miles operated per employee declined 11.3 percent and passengers per employee decreased 19.2 percent. During the same time period, transit employment levels expanded 19.8 percent. Therefore, ridership grew 0.5 percent in eight years, vehicle miles operated increased 7.7 percent and employment ballooned almost 20 percent. Transit does not appear to be economizing (or becoming more efficient) in light of these four factors.

II. Impact on Provision of Transit Services of Phasing Out Operating Assistance

This section describes specific impacts that can be anticipated as a result of phasing out Federal operating assistance. Initially, the computational procedure is explained and subsequently, the analytical results are presented.

A. Computational Procedure

Service decreases, as defined by reducing vehicle miles operated, to compensate for all lost Federal operating assistance were determined as follows:

1. Total operating expense, total vehicle miles operated, passenger revenue, and Federal assistance were extracted for each system using the latest available data from the Section 15 reporting system. Figures represent calendar year 1979 or fiscal year 1980 depending on the reporting period of each system. National aggregate figures were obtained from the 1979-1980 APTA Transit Fact Book (not yet published).

2. Total operating expenses and total revenue were assumed to be constant through 1985.

3. For each system, the transportation expenses per vehicle mile operated were computed by dividing total operating expenses by total vehicle miles operated. The amount of Federal subsidy was divided by the operating cost per vehicle mile to determine the number of vehicle miles of transit service necessary to offset lost Federal aid. This figure was then factored by 1.25 to reflect the relationship between avoidable and unavoidable costs.*

4. As transit service is reduced ridership will decline. Transit service elasticities are very often numerically larger than fare elasticities. An adjustment is performed for loss in patronage due to service decreases. Three distinct elasticity figures were utilized in the analysis since passengers are more responsive to service variations in low-service areas than in high-service areas. (A service elasticity of +0.5 means that a service decrease in vehicle miles operated of 10 percent results in a 5 percent loss in patronage.) The following elasticity figures were employed in the analysis:

	Elasticity[5]
Nation as a whole	$e = 0.5$
Systems with over 500 vehicles	$e = 0.5$

* Unavoidable costs are approximately 20 percent of total costs. If service (vehicle miles operated) is reduced, certain fixed or unavoidable expenses are incurred nevertheless such as heat, electricity, insurance, rent, legal and customer services, etc. A 10 percent decrease in service may only reduce costs by 8 percent; additional service must also be cut to account for fixed costs. Therefore, a 12.5 percent reduction in service is needed to produce a 10 percent decline in expenses.

Systems with 100-500 vehicles	e = 0.6
Systems with 50-99 vehicles	e = 0.7

5. After determining the loss in patronage due to service decreases, the decrease in passenger revenue was calculated. The loss in passenger revenue was divided by the operating cost to compute the quantity of vehicle miles necessary to offset lost passenger revenue. This figure was adjusted by 1.25 to reflect the relation of fixed and variable costs.

The same method was used for the national analyses presented in the summary.

B. Analytical Results

Table 3 presents the analytical results for a sample of nineteen cities. Note for example in New York that vehicle miles operated would decrease 11.1 percent to offset the loss of Federal operating assistance but that a total of 14.1 percent or 3.5 percent annually would be needed to fully compensate for lost Federal aid. Service decreases must be larger than necessary since riders are lost as service is reduced. This loss varies substantially from system to system depending on a complex set of factors. While fare elasticities are well documented, a limited body of knowledge exists on service elasticities. In summary, it could be said that there are no universal demand elasticity assumptions for transit service decreases.

The assumptions utilized in this analysis are somewhat conservative, i.e., impacts on service reduction could be greater than indicated. Elasticity figures were employed to reflect rider diversion as transit service decreases. Clearly, the method of reducing service directly affects rider diversion. For example, discontinuance of a route has a far greater impact on patronage than decreasing service frequencies.

Since each area is expected to reduce service differently, a conservative approach was pursued. The various methods of reducing service are discussed in the next section.

The amount of service, as measured in vehicle miles of operation, that would be reduced is rather consistent across all systems although the smaller systems appear to be affected more severely. Service decreases necessary to recover lost Federal revenues depend on:

- The current share of expenses covered by Federal assistance,
- The system operating cost per vehicle mile,
- The riders diverted as a result of service cut-backs, and
- The extent of transit service in the urban area.

While the level of Federal subsidy influences the quantity of service that would be reduced, the system operating cost per vehicle mile is the controlling factor. Generally, the larger systems have higher operating costs and less service would be reduced in a larger system for the same amount of subsidy.

Compensating for lost Federal aid by reducing service could be inefficient. As an illustration of this point, Milwaukee received approximately $10 million in Federal operating assistance whereas Santa Clara was provided nearly $9 million in Federal funds. Since Milwaukee is an efficient system, its operating cost per vehicle mile is less than one-half that of Santa Clara's ($2.03 versus $5.37), but Milwaukee would have to decrease service by almost 41 percent while Santa Clara would cut its service by 19 percent. The net effect of service decreases is that some systems may be penalized for being efficient. This negative aspect may be overcome if local jurisdictions judiciously select services for reductions.

The impact of service decreases is more pronounced on smaller systems and the estimates in the table are probably low. Service elasticities are higher during all time periods. Since lower-service areas by definition have small fleets and limited service, less choice exists

for selecting service cuts. Both peak and off-peak routes will be affected. Service elasticities are invariably 50 to 100 percent higher for off-peak periods than for the peak periods. For these reasons, service decreases in the smaller systems can be expected to exceed the estimates in the table.

III. Methods to Reduce Services

The analysis in the preceeding section assumed that transit systems would retain their basic operating area and localities would modify their systems in response to the availability of subsidies. In the past, Federal operating subsidies for transit have encouraged implementation of many new types of service such as suburban service, park and ride services, express and local routes, downtown circulators and feeder routes to transit stations. As Federal operating assistance is phased out, systems will strive to reduce operating expenses by reducing service, i.e., decreasing vehicle miles operated. A review of the literature as well as recent experience in Boston, MA. suggests there are four methods that can be used to reduce service:

1. Discontinue all service on a route or a portion of a route.
2. Decrease service frequencies by deleting specific runs.
3. Substitute one mode for another, e.g. replace rail transit with motor bus operations.
4. Reconfigure (or restructure) route system.

A. Discontinue Service

Transit service could be discountinued entirely over the length of a route or a portion of the route. Long routes that are not heavily utilized at one end of the route could be truncated at appropriate points. As an illustration the MBTA closed two rail stations in March, 1981 and more stations are expected to be closed on weekends. Other examples are utilized to explain possible impacts.

Although peak services are more costly to operate than off-peak or base services, less rider impact is anticipated with reduction of off-peak service. Unfortunately, base service (the cheaper of the two) is being reduced in Boston. The MBTA is discontinuing service on certain Saturday, Sunday, evening and mid-day routes. Consequently, more service (vehicle miles) must be terminated. The more expensive and politically influential peak service is primarily remaining in tact. As a result, lower income passengers are affected more severely than higher income transit users who generally have automobiles available.

Bi-State (St. Louis) is considering dropping special lines to race tracks, the Municipal Opera, an amusement park and two shuttle bus services, but no regular routes are planned for discontinuance. New Jersey Transit Corporation proposes to eliminate all service on the Shore Line, terminate all trains on the North Jersey Coast Line at Newark insteaad of New York, with riders transferring to other trains or to the PATH system, and to discontinue weekend and late evening rail service on selected lines.

In smaller systems where service is not as abundant, the strategy of discontinuing service is the primary option to reduce operating expenses.

B. Decrease Service Frequencies

To decrease operating expenses, service frequencies can be reduced (or service headways can be increased). Since most peak routes (and trips) are at or near capacity, there is little opportunity to decrease service frequencies during peak hours. The selection of the time to decrease service frequencies is an ardous task and requires extereme compromise (peak hour services would be more crowded, however base riders would have intolerable service headways). In smaller systems, decreasing service frequencies (e.g. from 15 to 30 minutes) would drive many users from the system due to set work schedules and appointments. As service frequencies decrease, the system operating hours could also be reduced.

The MBTA decreased service frequencies on its Saturday, Sunday, evening and mid-day bus routes. Some peak service was reduced although the

Table 3 REPLACING FEDERAL OPERATING ASSISTANCE

by Decreasing Service

SYSTEM	Federal Assistance ($ Millions)	Current Vehicle Miles Operated (Millions)	Operating Cost ($/Vehicle mile)	Total Vehicle miles- Replace Fed. Assist. (Millions)	Avg. Ann. Ser. Decrease thru FY 85 (%)
Greater than 1000 vehicles:					
NYCTA (New York City)	150.6	318.4	4.75	44.7	3.5
CTA (Chicago)	55.6	129.9	3.60	24.2	4.7
SCRTD (Los Angeles)	51.8	86.1	2.78	29.3	8.5
SEPTA (Philadelphia)	60.8	54.7	5.20	16.5	7.6
WMATA (Washington)	65.9	59.7	6.10	16.0	6.7
MBTA (Boston)	27.4	31.5	10.13	2.7	2.1
500-100 Vehicles:					
Metropolitan Dade County Transit Authority (FL)	5.7	19.4	2.58	3.5	4.5
Milwaukee County Transit	10.1	19.9	2.03	8.1	10.2
Tri-County Metropolitan Transit Authority (Portland)	5.8	18.0	3.12	2.7	3.8
250-499 Vehicles:					
Bay Area Rapid Transit District (San Francisco)	2.5	26.1	4.39	0.8	0.8
Southwest Ohio Regional Transit Authority	5.2	12.0	2.27	3.5	7.3
San Diego Transit Corporation	6.2	11.6	2.75	3.6	7.8
100-250 Vehicles:					
Indianapolis Public Transportation Corporation	2.8	5.8	2.32	2.0	8.5
Gary Public Transportation Authority	11.5	2.1	2.72	0.7	7.7
Sacramento Regional Transit Authority	3.7	7.7	2.67	2.0	6.5
Santa Clara County Transit	8.5	10.8	5.37	2.1	4.8
50-99 Vehicles:					
St. Petersburg Municipal Transportation Authority	1.0	2.5	1.61	1.1	10.9
Erie Metropolitan Transit Authority	1.2	1.8	2.19	0.9	12.3
Western Reserve Transit Authority	NO DATA				

primary emphasis was on non-peak routes. The New Jersey Transit Corporation is faced with a large deficit for the current year and is proposing extensive service reductions including elimination of one peak hour train on the heavily travelled commuter lines and the reduction of off-peak service on some bus routes. SEPTA (Philadelphia) is preparing plans to curtail service on commuter trains in light of recent financial troubles.

C. Substitute One Mode For Another

In an effort to reduce operating costs, transit operators could substitute one mode for another providing sufficient equipment is available. The MBTA has substituted motor bus for rail on several routes as a cost savings means. On Sundays, a bus shuttle service was substituted for rapid transit service. The Mattapan High Speed line was also proposed for termination, but that option is no longer being pursued. Other systems are proposing to discontinue commuter rail service, and depending on the level of patronage buses would replace the rail service. In another example, bus service on the MBTA was extended to connect two radial lines during evening and Sunday service periods since rail frequency was reduced. This method has very limited application but can be employed to retain service while decreasing operating expenses.

D. Reconfigure Routes

In areas where substantial service would be reduced, transit operators could reconfigure (or restructure) existing routes. This option could be exercised systemwide or in certain portions of the service area. Although transit operators are not pursuing this option at this time, sound economic principles and management practice dictate a more cost-effective approach in the future. As express routes become limited stop and local services, and other routes are eliminated or consolidated, different routing schemes would be appropriate. The MBTA recently consolidated and extended several bus routes to reduce operating expenses. Under this strategy, the service area could shrink.

The methods described above are each unique and will be utlized individually or jointly to reduce operating expenses. Phasing out of Federal operating assistance could provide the necessary incentive to streamline local transit systems. Based on the limited experience of the MBTA service reduction, system efficiency appears relatively unchanged since the costlier peak routes are being salvaged at the expense of Saturday, Sunday, evening and mid-day routes.

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ITEM C. Draft of Taxation and Finance Staff, ACIR, "Dedicated Sources of Revenue for Mass Transit" (Excerpts)

The views and opinions expressed in this paper are those of the author. The Administration does not necessarily endorse all of the views, conclusions or recommendations contained in this material.

EXECUTIVE SUMMARY OF ACIR STAFF REPORT
"DEDICATED SOURCES OF REVENUE FOR MASS TRANSIT"
(April 20, 1982)

I. BACKGROUND

States have employed dedicated sources of revenue for public services to an ever decreasing extent since the early 1950s.

In apparent contrast to this trend, however, 46 of 100 cities surveyed in 1980 funded mass transit with dedicated sources; 21 additional cities had such programs under active development.

Some students of public finance argue against the use of dedicated sources on the grounds that such use creates inflexibility in the budgetary process. Furthermore, a dedicated fund is said to distort priorities by encouraging decisions based upon the calculated yields of the dedicated fund rather than public policy.

The contrary view holds that the dedication of revenues can facilitate more rational budgetary decisionmaking by linking the "tax price" paid to the public service received, thus allowing more informed and effective decisions by the taxpayer. The recent adoption by Houston's electorate of a dedicated source for transit, despite the nationwide atmosphere of "tax revolt," demonstrated the willingness of taxpayers to pay directly through a dedicated tax for public transportation.

II. DEDICATED REVENUES AND MASS TRANSIT

Mass transit has three characteristics that may account for the popularity of dedicated sources in transit funding at the State and local level:

1. Many transit systems are multijurisdictional, necessitating perennial interjurisdictional controversy and conflict over local subsidies in lieu of a region-wide funding source.

2. Dedicating revenues to transit creates a kind of parity with highway programs which tend to rely on dedicated sources. Such parity encourages a balanced intermodal approach to urban transportation.

3. Dedicated revenues for transit increases the ability to raise funds for large investments and allows long term planning for both replacement and maintenance of capital assets.

III. FINANCING MASS TRANSIT BY DEDICATED REVENUES: POLICY ISSUES

The "dedication" of revenues includes a range of actions, encompassing:

1. Binding commitment by a jursidiction to fund transit;

2. Multi-year non-revocable appropriations;

3. Trust fund into which various sources supply dollar amounts;

4. Earmarking a specific tax;

5. Earmarking a specific combination of taxes;

6. Earmarking a percentage of general revenues; and others.

The dedication of revenues for transit may or may not indicate a high level of community support. The appropriateness of such a procedure depends upon local circumstances. The staff has conceived of six general issues that a jurisdiction might wish to consider when deliberating over dedicated sources for public transit.

1. Can the instrument for raising the dedicated revenue feasibly be implemented, politically, legally and constitutionally?

2. Does the dedicated revenue approach address such interjurisdictional problems as cost/benefits to each and diverse fiscal capacities?

3. Can the revenue raising strategy encourage use of the fare box to finance the service?

4. Can the instrument be devised in such a way as to alleviate the shortcomings of inflexibility and policy distortion and to encourage multimodal solutions to urban transportation problems?

5. Will the yield from the revenue source bear some reasonable relationship to potential costs or deficits?

6. Will the source distribute the financial burden in relation to costs of service or other equity consideration?

IV. SUPPLEMENTARY STRATEGIES

A number of other strategies are identified which could complement or supplement resource dedication as a means for increasing the stability and reliability of local support for transit:

1. The use of fare policy to regulate demand for services in relation to the costs of service.

2. Specifying by State governments of appropriate maintenance levels, capital budgeting, interjurisdictional cooperation, etc.

3. Restructuring the Federal assistance program, for example, to allow freer use of Federal assistance.

4. Federal regulation should be diminished in proportion to program cuts.

Advisory Commission on
Intergovernmental Relations
April 20, 1982

DEDICATED SOURCES OF REVENUE FOR MASS TRANSIT

This background paper on dedicated sources of revenue for mass transit is part of an interim report pursuant to an interagency agreement between the Urban Mass Transit Administration (UMTA) and the Advisory Commission on Intergovernmental Relations (ACIR)--agreement number DTUM60-81-X-00024. The purposes of this paper are three-fold: first, to provide general background information concerning the use of dedicated (or earmarked) revenues by state and local governments; second, to examine the specific nature of mass transit service which might make the use of dedicated sources particularly appropriate; and third, to raise a range of policy issues that should be addressed before recommending a greater reliance on dedicated revenue sources for financing mass transit.

The issues considered in this paper will be explored in greater depth in the final report under the interagency agreement referenced above. It should be noted that underlying this search for new revenue sources for mass transit are the plans for a major cutback and eventual elimination of federal mass transit operating grants currently amounting to over $500 million per year. Therefore, the question of dedicated revenue sources is really part of a more general study of alternative ways of financing mass transit other than by federal operating grants.

I. Background

A. Use of Dedicated Revenues. Table 1 shows the use of dedicated revenues by states over the period 1954-1979. While not completely current--for example, it fails to reflect the new taxes raised by New York State for mass transit in 1981--it, nonetheless, accurately shows the long-term trend.

Table 1
PROPORTIONS OF REVENUES DEDICATED BY STATES IN FISCAL YEARS
1954, 1963, AND 1979

State	Percentage of State Tax Collections Earmarked[a] 1954	1963	1979	Percentage Points of Change 1962-1979
Alabama	89	87	88	+1
Alaska	b	6	1	-5
Arizona	47	51	31	-20
Arkansas	41	36	21	-15
California	42	28	14	-14
Colorado	75	51	17	-34
Connecticut	26	23	0	-23
Delaware	0	3	0	-3
Florida	40	39	28	-11
Georgia	29	22	11	-11
Hawaii	b	7	5	-2
Idaho	51	44	38	-6
Illinois	39	43	14	-29
Indiana	49	39	43	-4
Iowa	51	44	19	-25
Kansas	77	66	29	-37
Kentucky	46	29	c	
Louisiana	85	87	5	-82
Maine	46	39	19	-20
Maryland	47	40	34	-6
Massachusetts	56	54	41	-13
Michigan	67	57	38	-19
Minnesota	73	74	12	-62
Mississippi	40	37	c	
Missouri	57	40	20	-20
Montana	61	53	55	+2
Nebraska	55	53	41	-12
Nevada	55	35	34	-1
New Hampshire	53	54	31	-23
New Jersey	7	2	25	+23
New Mexico	80	31	36	+5
New York	13	10	0	-10
North Carolina	38	30	20	-10
North Dakota	73	43	29	-14
Ohio	48	48	21	-27
Oklahoma	62	59	c	
Oregon	47	36	23	-13
Pennsylvania	41	63	15	-48
Rhode Island	6	4	0	-4
South Carolina	69	62	56	-6
South Dakota	59	54	33	-21
Tennessee	72	77	60	-17
Texas	81	66	54	-12
Utah	74	62	52	-10
Vermont	42	39	23	-16
Virginia	39	32	27	-5
Washington	35	30	29	-1
West Virginia	57	39	21	-18
Wisconsin	63	61	c	
Wyoming	61	64	54	-10
Average	51.3	41.1	23	-18.1

a 1954 and 1963 figures are from Earmarked State Taxes, Tax Foundation, 1965.
b 1954 study did not include Alaska and Hawaii.
c Information was not received in time to compile the report
Note: Some states, such as New York, have enacted laws providing dedicated revenues since the 1979 survey was conducted.

Source: Dedicated Revenue Study, Office of the Legislative Fiscal Analyst, State of Montana, 1980. This table is reproduced as Table 55 in ACIR, Significant Features of Fiscal Federalism, 1979-80, Report M-123, October 1980.

The practice by states of dedicating revenues has steadily declined in importance since the 1950s. In 1954, according to figures compiled by the Tax Foundation, 48 states (Alaska and Hawaii were excluded) dedicated an average of 51 percent of their state tax revenues. By 1963 the percentage of revenues had declined to 41 percent for 50 states, and by 1979, when 46 states responded to a survey by the State of Montana, only 23 percent of State revenues were dedicated.

Equally impressive was the decline in the number of states dedicating significant portions of their revenues: in 1954, there were 38 states who dedicated 40 percent or more, but in 1979, there were only 9. Between 1963 and 1979, only four states increased the percentage of funds which they dedicated and, of these four, only New Jersey made a significant increase in the percentage (from 2 to 25 percent).

The most important reason for the decline in state use of dedicated revenues has been increasing reliance by states on income and general sales taxes as their major revenue sources. In 1956, state individual income taxes accounted for 10.3% of total state taxes; by 1980, they were 27.1%. State general sales and gross receipts taxes also increased from 22.7% of total taxes in 1956 to 31.5% in 1980. At the same time, receipts from selective sales taxes declined from 35.6% of state taxes in 1956 to 17.9% in 1980, and motor vehicle and operators' licenses dropped from 9.7% to 3.9%. In other words, the increasing yields of income and sales taxes at the state level overshadowed the relatively stable or declining yields of the taxes which have traditionally been dedicated.

In addition, opponents of earmarking and dedicated funds consider such devices as inimical to rational budgeting and "good government" and have urged state legislatures to eliminate earmarking and rely on appropriations from general revenues.

B. Arguments Against Dedicated Revenues. Traditionally, students of public finance have been critical of dedicating or earmarking revenues for particular programs or purposes. According to this view, dedicating revenue sources for particular purposes impairs public control over budgetary resources by circumventing an annual assessment of needs and priorities. As a result, a dedicated revenue source can not only lead to inflexibility in budgetary allocations but can also reduce the responsiveness of the favored activity to government policymakers, on both counts working to the detriment of rational governmental decision making. Under a system of dedicated revenues, some functions may be lavishly funded if the yield from the earmarked tax grows substantially while other functions funded by general revenues receive insufficient resources.

Furthermore, there is no guarantee that changes in the yield of earmarked revenues correspond in any reasonable way to the growth in costs or demands for the public services financed by the earmarked revenue. Even in the short run, wide fluctuations in the revenue yield of earmarked taxes could inhibit rather than encourage the operations of the targeted programs. A related argument, applicable when earmarked revenues are used to finance a trust fund, is that accumulated revenues in the fund create pressure to make immediate disbursements even when the accumulations are in anticipation of future needs, such as for capital acquisitions and maintenance. Then, when the future need materializes additional funds must be raised, leading to overexpansion of the service financed in this way. Finally, it has been argued on the basis of past experience that once earmarked revenues have been established, it is difficult to redirect the funds to other purposes even if the need for the initial programs has long been past.

C. The General Case for Dedicated Revenues. On purely conceptual grounds, it has been argued that, contrary to the traditional view, tying a particular source of revenues to a particular category of expenditures can actually facilitate more rational budgetary decision making on the part of the electorate. With a greater knowledge of the relationship between the

"tax price" paid for the public service and the particular service received, the taxpayer may be able to make more informed and effective decisions on budgetary matters. The taxpayer/voter directly confronts the link between the cost of a public service and its tax price, much as does a consumer in the general market place, and accordingly can cast his vote more intelligently to register demand for the service at the given earmarked tax price. A practical application of this principle may be that tying a particular expenditure to a particular revenue source may facilitate the raising of revenues in a tight fiscal climate such as that prevailing currently. Taxpayers may be more willing to vote for tax increases that are designated for particular purposes than for general revenues that finance a whole range of public services. The general conceptual case in favor of dedicated revenue sources implies a complete system of earmarked revenues for each public service to help the taxpayer/voter to make more informed choices on budgetary issues. However, such a system is likely to be impossible to implement. Thus, earmarking, in practice, can be used for only a few services and, as a result, would operate to distort budgetary allocations in favor of these targeted services. Consequently, the case for earmarked or dedicated revenues for a specific service such as mass transit may depend on whether the particular characteristics of that service require special protection in budgetary competition with programs financed out of general funds.

II. Dedicated Revenues and Mass Transit

A. The Case for Dedicated Revenues for Financing Mass Transit. Three characteristics of mass transit may strengthen its case for dedicated revenue financing. The first is that the service area for mass transit tends to cover several state and local jurisdictions and, as a result, revenues (other than from fares) to support mass transit must come from separate budget decisions by these jurisdictions. While the boundaries of mass transit service areas may not generally be coextensive with metropolitan area (SMSA) definitions, the latter nonetheless illustrate this problem. For example, the San Francisco SMSA, which is within one state, includes five counties; the Chicago metropolitan area covers six counties; and the Cincinnati metropolitan area covers three states and seven counties. There are well-known difficulties in financing the Washington, D.C., transit system because it covers Maryland, Virginia, and the District of Columbia, as well as four counties and three independent cities. Since each jurisdiction may wish to make sure that its contribution provides revenues sufficient to cover only the costs imposed by its own citizens and may even hope to benefit from contributions by other jurisdictions, there is a strong tendency for each separate jurisdiction to under-finance mass transit as a means of preventing any exploitation by its neighboring states or localities. A common dedicated revenue source applicable to all the jurisdictions in the service area could alleviate this problem.

Secondly, mass transit is most directly in competition for funds with roads and highways, a public program which tends to have its own dedicated revenue sources in the form of the gasoline tax, for urban as well as for interstate highways. To the extent that such highway financing continues as a permanent feature of the fiscal landscape, access to a dedicated revenue source by mass transit may be a reasonable counterweight. The extent of federal earmarking of revenues to support the highway trust fund is well known although it has been largely restricted to gas tax financing, which at least has some characteristics of a user fee. As indicated in Table 2, states also dedicate significant revenues for

Table 2
TOTAL STATE REVENUES AND DEDICATED HIGHWAY REVENUES, BY STATE, 1979
(Dollars in millions)

	1979 Total Revenues	Dedicated Highway Revenues as a Percentage of Total Revenues
Alabama	$1,747.4	4.9%
Alaska	816.7	0.0
Arizona	1,515.8	13.6
Arkansas	994.6	17.5
California	16,352.0	5.5 1/
Colorado	1,440.8	11.3
Connecticut	1,718.1	0.0
Delaware	491.9	0.0
Washington, D.C.	--	--
Florida	4,291.0	13.5
Georgia	2,448.1	10.9
Hawaii	876.0	4.3
Idaho	446.4	21.6
Illinois	6,322.8	12.4
Indiana	2,668.6	14.2
Iowa	1,569.3	18.9
Kansas	1,187.7	16.5 2/
Kentucky	--	--
Louisiana	2,240.1	2.7 3/
Maine	554.4	15.0
Maryland	2,647.2	14.9
Massachusetts	3,616.1	7.2
Michigan	6,017.7	12.6
Minnesota	3,133.8	6.9
Mississippi	--	--
Missouri	2,170.4	15.5
Montana	400.6	16.8
Nebraska	742.6	19.0
Nevada	462.6	12.2
New Hampshire	264.1	25.3
New Jersey	3,729.3	0.0
New Mexico	845.4	8.9 4/
New York	11,688.5	0.0
North Carolina	2,915.1	12.4
North Dakota	324.8	18.7
Ohio	4,619.9	9.5
Oklahoma	--	--
Oregon	1,384.5	14.8
Pennsylvania	6,781.8	12.6
Rhode Island	537.8	0.0
South Carolina	1,523.0	12.5
South Dakota	245.5	27.1
Tennessee	1,843.9	10.8
Texas	5,738.4	13.3
Utah	694.9	13.4
Vermont	267.5	21.4
Virginia	2,563.7	15.8
Washington	2,718.3	8.4 2/
West Virginia	1,120.1	19.3
Wisconsin	--	--
Wyoming	342.8	19.6

1/ Does not include funds earmarked for "transportation"---only highway funds. If highway and transportation categories are combined, the percentage of dedicated funds increases to 8.0%.
2/ Includes a small portion of safety funds.
3/ Most of funds classified as "Local Roads" fund.
4/ Excludes $2.1 million in operator license revenues, 96% of which are dedicated to highways and local governments.

Source: Derived from data in the earmarking study memorandum of the Office of the Legislative Fiscal Analyst, State of Montana, Helena, 1980.

highways. In 1979, dedicated highway revenues accounted for over 10 percent of total state revenues in 31 states.

Third, it has also been argued that a dedicated revenue source can facilitate longer term planning required for both the acquisition and the maintenance of mass transit facilities. A dedicated revenue source could contribute importantly to the financing of capital facilities by providing a reliable revenue source for covering debt service costs, that is, interest and repayment of principal. Governmental finance officers as well as financial advisers and bond underwriters claim that carving out a revenue stream that is dedicated to covering debt service payments can increase considerably a jurisdiction's ability to raise funds in the capital markets. At the same time, a stable long

term source of funds may encourage long-term maintenance scheduling. Too often maintenance tends to be deferred when budgetary resources tighten with the consequences, over time, of deteriorating service and increasing breakdowns. This same argument in favor of dedicated revenues can, of course, be equally well applied to any public service requiring substantial capital outlays such as water and sewers. It is not unique to mass transit.

B. Current Practice in Financing Mass Transit by Dedicated Revenues. A survey of mass transit finance undertaken by the U.S. Conference of Mayors provides information on the current and possibly future use of dedicated revenues for mass transit and the kinds of taxes so dedicated.

One question in the survey was whether the city was currently (1980) making use of an earmarked tax for transit:

	Number	Percent
Cities reporting use of an earmarked tax	46	45.5%
Cities reporting they did not use an earmarked tax	55	54.5
Total cities reporting	101	100.0

Cities were also asked whether they had plans to establish an earmarked tax within the next two years: of the 54 responding, 19 indicated that legislation was either pending or planned in the state legislature, and two noted that a referendum was planned, giving a total of 21, or 39 percent of the respondents.

The U.S. Conference of Mayors' survey also asked for information concerning the type of tax earmarked, whether the authorized uses of the earmarked tax were limited to capital or operating expenses, and whether the state or the local jurisdiction levied the tax:

	Number of Cities Using Tax	Uses of Tax			Levying Jurisdiction		
		Capital Only	Operating Only	Both	State	Local	Both
Sales Tax	22	2	4	16	10	12	0
Gas Tax	8	0	2	6	7	1	0
Property Tax	11	1	3	7	0	11	0
Other	7	0	2	5	1	5	1
Total	48	3	11	34	18	29	1

Note: Cities may be using more than one tax category, which accounts for the discrepancy between this total and the 46 cities which reported using an earmarked tax.

The table indicates the following: (1) the predominant use of sales taxes for earmarked taxes (22 cities or 46% of the 48 reporting); (2) the fact that 34 cities (or 71%) do not limit the authorized use of the earmarked tax to either capital or operating expenses; (3) the fact that earmarked taxes may be levied by either a state or local government: in 18 cases (37.5%) the levying jurisdictions were state governments, in 29 cases (60%) they were local, and in one case the tax was levied by both.

III. Financing Mass Transit by Dedicated Revenues: The Policy Issues

As noted above, the particular characteristics of mass transit may justify a rethinking of the traditional objections to dedicated revenue sources. The general

question, then, is the following: Do the needs of mass transit for a stable and assured revenue source outweigh the traditional objections to earmarked or dedicated revenues? Before evaluating the policy issues raised by this question, it is first necessary to determine what is meant by a dedicated revenue source.

A. Definition of Dedicated Revenues. The determination of what constitutes a "dedicated revenue source" is not as simple as it may appear. There is a range of alternatives which is much broader than the mere earmarking of a specific tax or combination of taxes to be spent for transit. The spectrum of possibilities encompasses the following:

(1) binding commitment by the jurisdiction to furnish a specified proportion of transit operating funds;

(2) requirements for multi-year non-revocable appropriations;

(3) establishment of a trust fund into which specified dollar amounts must be deposited with sources of funding left totally to the discretion of the jurisdiction;

(4) earmarking of a specific tax;

(5) earmarking of a specified combination of taxes; and

(6) earmarking of a specified percentage of general revenues.

Any of these devices can be used by either states or local governments or by a combination of the two, such as state grants (financed either by earmarking of specific taxes or from general revenues) to local jurisdictions.

B. Evaluation Criteria for Dedicated Revenues. Before discussing evaluation criteria for analyzing each of the spectrum of devices for dedicating revenues, it must be pointed out that the mere adoption of some form of dedicated revenues can not be considered as the solution to the Urban Mass Transit Administration's responsibility for assuring the fiscal capacity of a local government to provide revenues to support transit. A fiscally healthy local government with a commitment to mass transit will provide for its support without being pressed to make use of dedicated revenues. Dedication of revenues by a fiscally insecure government does not increase its ability to finance transit; it may compound the government's overall economic problems by removing one source of financing from its control, thus increasing pressures upon the diminished number of remaining tax sources.

The best way in which UMTA can fulfill its responsibilities for assuring future funding for equipment built with federal funds is to work with local governments to encourage them to provide for financing of mass transit in a way which is best adapted to the circumstances of the government in question. In this connection, care should be taken to assure that the requirement for a "stable and reliable" source of funding in the Stark-Harris amendments to the National Capital Transportation Act, which arose out of circumstances particular to the WMATA, does not become a precedent requiring the significant use of dedicated revenues to support other transit systems.

Adoption by UMTA of a broad and flexible policy of working with local government to examine their fiscal capabilities to finance mass transit, and

allowing the governments considerable leeway in the ways in which they propose to continue to fulfill their mass transit financing responsibilities is in keeping with the expressed policy of the Administration to do everything possible to lighten the load of regulations and requirements which the federal government imposes upon state and local governments, as well as on the private sector. One of the more fundamental questions of intergovernmental relations concerns the general propriety of federal regulatory requirements over state and local governments. During the past decade and a half, these requirements have shown a dramatic increase. Although such mandates have never been accepted happily, in recent years the combined effects of economic pressures and declining federal, state, and local fiscal resources have made state and local government officials extremely vocal in their opposition to what they regard as costly and inappropriate federal intrusion into their decision-making and administrative processes.1/ This opposition has been expressed with increasing frequency in legal challenges as well as in the political area. It is important for UMTA to be sensitive to the necessity of not intruding upon the authority of states and local governments and to allow these governments the greatest possible latitude in devising ways acceptable to them and to UMTA for continuing to fund their mass transit systems.

The following criteria are suggested for evaluations of dedicated revenue sources.

1. Can the instrument for raising dedicated revenues realistically be put in place by the state or local government? At issue here are the several constraints--constitutional or statutory--limiting state or local government authority to raise revenues, either in the aggregate or in particular forms. These constraints vary greatly from state to state, ranging from constitutional prohibitions on state or local revenue sources (e.g., the prohibition against individual income taxes in Florida) to the lack of authority of cities in over 30 states to levy general sales taxes. In addition, taxpayer resentment of increasing tax burdens over the last dozen years has led to the enactment of various forms of specific tax and expenditure limits (TELs) on state and local governments. Proposition 13 in California and Proposition 2-1/2 in Massachusetts, both of which restrict the ability of localities to raise property taxes, are probably the most well-known examples of such restrictions. As shown in Table 3, these restrictions have been adopted in many states and their specific details range fairly broadly. Moreover, whatever their source, these various limitations and restrictions will have even greater force when several jurisdictions must act in concert to provide financing for mass transit. These restrictions may be difficult to override or revoke although tying particular revenues to particular sources may be an effective means of persuading local or state legislative bodies that changes may be needed. Furthermore, because many restrictions are usually imposed by a state on all localities within the state, individual localities seeking to provide financing for mass transit may face particular difficulties in

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1/ The Advisory Commission on Intergovernmental Relations has been critical of federal mandates on states and localities that are both onerous and unrelated to the purposes of the federal aid. See Advisory Commission on Intergovernmental Relations, An Agenda for American Federalism: Restoring Confidence and Competence, 1981, pp. 129-137.

TABLE 3--RESTRICTIONS ON STATE AND LOCAL GOVERNMENT TAX AND EXPENDITURE POWERS
(June 1, 1981)

States	State Imposed Limits on Local Governments							State Limits on State Governments
	Overall[1] Property Tax Rate Limit	Specific[1] Property Tax Rate Limit	Property Tax Levy Limit	General Revenue Limit	General Expenditure Limit	Limit on Assessment Increases	Full Disclosure	
Total	14	29	19	5	6	6	9	18
Alabama	C#S***	C#S*						
Alaska	C#S**		C#**					
Arizona	C#S***		C#***		C#S***	C#S***		Const.***
Arkansas		C#S*	C#S***[2]					
California	C#S***				C#S***	C#S***		Const.***
Colorado		CS*	C#*				C#S***	Stat.**
Connecticut								
Delaware		CS**	C***[2]					Const.***
Dist. of Col.								
Florida		C#S*					C#S**	
Georgia		S*						
Hawaii							C**	Const.***
Idaho	C#S***	C#S*	C#S***					Stat.***
Illinois		C#S*						
Indiana			C#S***					
Iowa		C#S*			S**	C#S**		
Kansas		C#*	C#**		S**			
Kentucky	C#S*						C#S***	
Louisiana		C#S**	C#S***[2]					Stat.***
Maine								
Maryland						C#**	C#**	
Massachusetts	C#S***		C#S**					
Michigan	CS*	#*	C#S***					Const.**
Minnesota		C#S**		C#**				
Mississippi		C#S*	C#S***					
Missouri		C#S*		C#S***				Const.***
Montana		C#S*					C#S**	
Nebraska		C#S*		C#S***				Stat.***
Nevada	C#S*			C#**				
New Hampshire								
New Jersey			C**		#S**			Stat.**
New Mexico	C#S*	C#S**	C#S***			C#S**		
New York		C#S*						
North Carolina		C#**						
North Dakota			C#S***					
Ohio	C#S*		C#S**					
Oklahoma	C#S*	C#S*						
Oregon			C#S*			C#S***		Stat.***
Pennsylvania		C#S*						
Rhode Island								Stat.**
South Carolina			[3]					Stat.***
South Dakota		C#S*						
Tennessee							C#S***	Const.***
Texas		C#S**					C#S***	Const.***
Utah		C#S*						Stat.***
Vermont								
Virginia							C#**	
Washington	C#S**	C#S**	C#S**	S**				Stat.***
West Virginia	C#S*	C#S*						
Wisconsin		C#S*	C#**		S**			
Wyoming		C#S*						

C--County M--Municipal S--School District *--Enacted before 1970 **--1970 to 1977 ***--1978 and after
Const.--Constitutional Stat.--Statutory

1/ Overall limits refer to limits on the aggregate tax rate of all local government. Specific rate limits refer to limits on individual types of local governments or limits on narrowly defined services (excluding debt).

2/ Limits follow reassessment 3/ Limit followed transition to a classified property tax.

Source: ACIR staff/C. Richardson based on data from CCH, Steven Gold, IAAO, and state survey. This table is Table 20 in ACIR, Significant Features of Fiscal Federalism, 1980-81, Report M-132, December 1981.

securing a change in a state-wide provision. In any event, federal requirements for dedicated revenues must take into account existing constraints on states and localities in raising revenues.

2. Can a system of dedicated revenues be used to address the problems of jurisdictional fragmentation within the mass transit service area? There are two separate issues here. First, even if there were no legal impediments, would it be possible to use a dedicated revenue source to overcome the reluctance of each jurisdiction in a mass transit service area to provide general support for mass transit? Adoption of an area-wide dedicated source could moderate the tendency for each jurisdiction to attempt to shift the costs of supporting mass transit to other jurisdictions. At the same time, the dedicated revenue mechanism should not be a justification for claims by each separate financing jurisdiction for a return of revenue to, or use only in, the jurisdiction from which it was raised. Potential conflicts with economic efficiency could easily result if the dedicated revenues are used to increase services or to reduce fares the most in those juris-

dictions providing the most revenue. To avoid such a result, attention must be paid to the costs imposed by providing service to each jurisdiction as well as to the revenues generated by earmarked funds from each jurisdiction.

The second interjurisdictional problem is that, costs and benefits aside, jurisdictions may vary in their capacity to provide general support for mass transit or in what they feel they can afford to contribute towards mass transit. While it may be possible conceptually to develop a contribution formula, based on a dedicated revenue source, such that overall tax burdens placed on each jurisdiction are roughly equalized, such a formula would be both complex and unlikely to gain political acceptance within the service area. Also, there may be particularly severe conflicts with the efficiency goal of having costs and benefits within each jurisdiction bear some reasonable relationship to each other.

3. Can dedicated revenues be designed so as to encourage use of the fare box as a way of financing mass transit? Many observers of the present system of mass transit finance have suggested that fares have been used only to fill the gap between federal operating subsidies and total expenditures. There is no reason to believe that dedicated revenues would not be used in the same way. To the extent that federal pressures result in the substitution of dedicated revenues for fare increases that would otherwise occur, efficiency objectives in the financing of mass transit would very likely be violated. A federal requirement that a specified proportion of operating revenues be funded by fares could encourage greater use of the price mechanism as a complement to a program of earmarking or dedicating revenues for transit use, although such a mandate would raise the same issues of intrusive federal regulation discussed above.

4. Can a mechanism for dedicating revenues be developed that is sensitive to the traditional criticisms of earmarking as a budgetary device? In the current context, with earmarking for mass transit finance often defended as a way of neutralizing the budgetary advantages accruing to highways (which are financed with their own earmarked revenues) it may be possible to move towards equal access in the budgetary process by integrating in a single fund the financing of all modes of urban transit. Separate earmarking of funds for mass transit may not be required in a framework of multi-modal solutions to urban transit. Precedent, thus far, suggests that states would have to operate such a fund because they, rather than localities, provide segregated highway financing. However, substate regional arrangements might be put in place for both highways and mass transit. At the same time, use of a highly visible tax for urban transit would emphasize the positive side of earmarking--accountability to the electorate. However, as with any trust fund device, attention must be given to the possibility of a general over-expansion of the transportation system resulting from the temptation to spend accumulated trust fund reserves designated for future use. In addition, the establishment of a single fund for all modes of urban transit does not guarantee that the trade-off decisions on how to allocate the trust fund resources are made rationally.

5. Can dedicated revenue sources be developed which bear some reasonable relationship to future expected costs of mass transit? Ideally, dedicated revenue sources should be neither highly volatile nor slow-growing relative to expected costs. Wide year-to-year swings and longer-term changes in the share of operating costs covered are

both to be avoided. Certain taxes, such as property and selected excises, tend to lag inflation and economic growth and would probably fail to provide sufficient funds for transit in the future. General sales and income taxes are highly responsive to economic changes and could--in good times--provide more funds than necessary, with consequent temptations for wasteful spending, neglect of fare box financing, and over-expansion. In times of recession, general sales and income taxes could fail to provide sufficient funds, requiring other measures to compensate for falling farebox receipts and decreased tax funding. These fluctuations give rise to concerns that heavy reliance on dedicated sources might cause programs to be cut back or expanded depending upon the availablity of the dedicated funds.

6. Can the dedicated source be developed to distribute the burdens of the tax fairly, both among income groups and between businesses and individual taxpayers? This criterion implies that equity considerations should be given the same weight in the development of a dedicated revenue source as with any other tax measure. In other words, to the extent that a general subsidy is regarded as desirable--either because the strict application of marginal cost principles for the structure of fares does not cover full costs or because it is believed that the benefits of mass transit are enjoyed more widely than by the immediate patrons of the system--the subsidy should be as equitably financed as any other public service. (It is possible, of course, to have this subsidy financed in a way which is most sensitive to efficiency objectives; for example, by a tax that generates greater revenues from jurisdictions imposing greater costs on the mass transit system or by a tax such as a gas tax that is designed to increase the cost of using competing transit modes.)

These evaluation criteria are not necessarily compatible with one another and certainly not achievable with any single source of dedicated revenues. This is illustrated by Table 4, a matrix that applies several of the above criteria to particular techniques and devices for earmarking funds for mass transit. The goal of this evaluation is not to determine a "perfect" source of dedicated revenues, but rather to emphasize the point that dedicated revenues are a way of achieving certain objectives and are not an end in themselves. Therefore, attention must be paid to assure that these objectives are being achieved in the development and use of a dedicated revenue source.

As another cautionary note, any movement to a new system of financing mass transit or indeed of any other public service, requires sufficient lead time to allow governments to adjust. Governors, state legislators, local officials, and transit operators all require time to develop new financing instruments, examine their likely impacts, and enact the required legislation. Where state legislation is required, the lead time must take account of the limited periods during which state legislatures are in session.

IV. Supplementary Strategies

If there is federal concern about stability or reliability of local funding to complement federal programs, a range of strategies exist to address this concern. These strategies could supplement or even supplant a strategy of dedicated revenues to compensate for the loss of federal mass transit operating subsidies. First, encouragement of higher fare contributions could be considered as an alternative to the use of dedicated revenue sources. Purely as a financial solution, dedicated revenue sources may have no greater claim to

Table 4

EVALUATION OF DEDICATED REVENUE SOURCES

Dedicated Source	1 Can it be put in place by state and local governments?	2 Can it be used in multi-jurisdictional systems?	3 Does it avoid criticisms of earmarking?	4 Does it provide a "stable & assured" source of funding?	5 Is it an equitable form of financing?
1. Binding commitment to furnish a specified proportion of transit operating funds	Yes, except where tax & expenditure limits (TELS) apply.	Yes, but could impose varying tax burdens among jurisdictions.	Yes, except commitment might distort budget priorities.	Yes.	Presumably, since funds are from general revenues.
2. Requirement for multi-year non-revocable appropriations	Yes, but possible impact of TELS.	Yes.	Yes, except for possible distortion of budget.	Only over the period specified.	Presumably, since funds are from general revenues.
3. Establishment of a trust fund into which specified sums must be deposited.	Yes.	Yes.	No, because excess balances may accumulate.	Yes.	Presumably, since funds are from general revenues.
4. Earmarking a specified proportion of general revenues	Yes.	Yes, but fluctuations in jurisdictional share of transit costs may make cooperation difficult.	No, because excess balance may accumulate.	Some uncertainty because there is a possibility of substantial changes in revenues.	Presumably, since funds are from general revenues.
5. Earmarking a specific tax					
a. Sales	Some local governments cannot impose these taxes.	Problems can arise when jurisdictions do not have the same taxing auth.	No.	Economic downturns may cause sharp drops in yields.	Sales and excise taxes can be regressive.
b. Income					
c. Excises					
d. Property	Frequently subject to TELS.	Frequently subject to TELS.	No.	Not very responsive to increasing costs of mass transit.	Within a metro area, property tax burden can be capriciously distributed.
6. Earmarking a specified combination of taxes	Yes, if local governments can impose component taxes.	Yes, if local governments can impose component taxes.	No.	Volatility depends on taxes chosen.	Combination of taxes is probably more equitable than single source.

Source: ACIR staff.

budgetary rationality than requiring a higher fare structure, and may be considerably less desirable on efficiency grounds.

Second, a much broader range of alternatives may be considered. Examples of such alternatives, some of which are currently in use, are specifying maintenance levels directly, requiring capital budgeting, enforcing a greater regional role to overcome the obstacles of jurisdictional fragmentation, or encouraging the states to play a more important role in the financing and oversight of mass transit. In this latter case, for example, state governments could act to provide the necessary tax authority for local financing, could match local contributions with state funds, or could assume direct responsibility for mass transit.

Finally, one may even consider restructuring the entire grant program which supports mass transit, notwithstanding the far reaching implications of such a change. For example, rather than cutting back on operating grants and continuing capital grants, a grant program which can be used for any purpose could be developed. To the extent that earmarking or "dedication" reflects a concern that facilities purchased with federal funds will not be fully utilized, or that the credit worthiness of mass transit borrowers may not be maintained, those concerns can be alleviated by restructuring the transit grant program. If the grant itself provided stable funding with choice on use, transit systems could themselves decide whether to "dedicate" grants to debt service in order to facilitate borrowing for capital equipment or instead to use grants directly to fund capital purchases or even to support current operations.

There are also broader intergovernmental issues flowing from grant cutbacks, affecting many programs in addition to transit. As fewer federal funds are available, but federal agencies continue to perceive their duty as promoting and expressing a federal interest, more agencies may turn to mandates and tighter conditions on aid in order to leverage their influence. In an environment of cutbacks, the spread of such mandates could heighten intergovernmental tensions and conflict, contravening the view that if fewer federal dollars are available, the federal role itself should be cut back and, in any event, seriously reevaluated. While views on the likelihood of such developments may differ, the potential substitution of a control mechanism (mandates) for an economic incentive mechanism (grants) merits sensitivity on the part of federal agencies and continued monitoring and review.

ITEM E. U.S. Department of Transportation, "Feasibility of Federal Assistance for Urban Mass Transportation Operating Costs" (Excerpts)

This study was conducted by a previous administration. This Administration does not necessarily endorse all of the views, conclusions or recommendations contained in this material.

CHAPTER I

CONCLUSIONS AND RECOMMENDATIONS

A. Conclusions

There can be no doubt that urban mass transportation service faces severe problems which affect both the transit operator and the community. Under present conditions both local officials and private operators feel obliged to choose between

-- cutting back on service or raising fares, or both, resulting in further loss in ridership, or

-- providing public subsidies out of scarce local resources to preserve service or stabilize fares at levels considered to be reasonable.

These alternatives focus attention on symptoms rather than on underlying causes. If public mass transportation is to serve the public effectively and efficiently, public policy must find additional alternatives that deal directly with root causes. The question is, how can the Federal Government best contribute to making urban transit an effective transportation system?

The financial result of any transit operation — i.e., whether it experiences a deficit or not — represents to a large degree the results of the policy choices made by an operator or community concerning the level of service provided and the fare charged. In a number of communities low fares are charged as a matter of policy and the necessity of subsidy is accepted. Furthermore, with the recent inflationary spiral of wages and other operating costs, there has been an increasing reluctance on the part of many authorities to raise fares concomitantly. In some measure, this reluctance to increase fares involves sensitivity to the impact of fare increases on the transit disadvantaged — the poor, elderly, handicapped and young. At the other extreme, some communities still require their transit systems to operate entirely on fare revenues. It is also important to bear in mind that accounting practices vary widely among transit operations and this can greatly affect reported deficits.

Fundamentally, the revenue/expense squeeze in which transit is caught results from its lack of success in adapting to new patterns of urban development, responding to changes in public preferences and expectations, and competing effectively with the private automobile. Faced with increasing dispersal of residential, employment and shopping centers in metropolitan areas and the personalized conveniences of the automobile, transit has held to its concept of fixed, line haul service into dense central core areas — even though the financial viability of that type of service seems to be rapidly diminishing.

Little has been done to determine whether transit can compete with the automobile under present conditions. The few attempts to innovate and experiment with high-quality and competitive transit service — e.g., express routes, exclusive rights-of-way, demand responsive service — suggest that there is a substantial market that might respond to increased reliability, convenience, accessibility and amenity and would be willing and able to pay the cost.

Responsibility for the present condition of urban mass transportation certainly cannot be placed solely on transit management. The Federal Government has been a major contributor through a wide range of policies, programs, and funding mechanisms, direct and indirect, which have affected the ability of State and local governments to respond to the needs of public transit. Local public officials and administrators,

planners, regulatory and zoning authorities, police and traffic officials, and State governments also share responsibility. They have acquiesced in or promoted auto-oriented urban development patterns. They have reinforced such patterns through the provision of under-priced parking at public expense. They have managed access to, and traffic flow on streets and highways on the basis of vehicle, rather than people, throughput; refused to consider regulation or restriction of automobile use; endured a fragmented structure of local governments within metropolitan areas, each unit of which is competing for certain types of development, resisting others and holding effective veto power over implementation of comprehensive plans. They have perpetuated an urban transportation system that is fragmented between modes and geographic areas, fragmented in regulation and coordination, and fragmented in funding policies and sources. Ultimately, of course, responsibility for all these policies and actions is shared by the citizens who condone or support them or are simply indifferent.

Local and State governments have responded to the transit dilemma in a variety of ways; responses range from none at all to any of a surprising number of mechanisms for delivering financial assistance to cover operating deficits. Unfortunately, these State and local operating subsidies have not reversed the decline in ridership or prevented increased operating deficits, although the decline in riders is substantially less than the national average. (Currently, ridership and deficits are affected adversely by inflation and the current rate of unemployment which disproportionately hits mass transit riders.)

On the positive side, State and local subsidies have undoubtedly helped to save transit systems that would otherwise have been forced out of business, thus depriving many riders of continued mobility. Of course absence of an operating deficit is not necessarily a criterion for successful and effective transit service. Moreover, the Department of Transportation does not believe that transit riders must, as a matter of principle, be expected to pay the entire cost of transit.

On the negative side, it is a debatable question whether State and local subsidies have, in fact:

- resulted in improved service for those dependent on public transportation,
- obviated the need to raise fares,
- stimulated innovation or experimentation, or
- resulted in greater awareness or commitment on the part of those involved in the problem.

The Federal Government does not presently have an operating subsidy program for mass transit as such. A number of existing Federal support mechanisms do seek to strengthen mass transit in our Nation's cities. Principal among these devices has been assistance for capital investment in right-of-way, structures and vehicles, provided through both the current UMTA capital grant program and, with respect to rights-of-way, through the Federal-Aid Highway Program. Additionally, transit operators have been exempted from certain fuel and vehicle excise taxes which are imposed on other highway users. Available experience and analysis suggests that further extension of Federal support in the form of operating subsidies in and of itself would not contribute to the significant alleviation of the underlying difficulties of which the transit deficit is symptomatic.

Operating subsidies are probably not the best means of meeting such objectives as increasing the mobility of those dependent on transit and helping those with low incomes. Even if a subsidy does make it possible to avoid higher fares, additional controls would be necessary to induce presently inadequate service to be improved. Lower fares would, of course, result in greater aggregate benefits for all riders — the affluent as well as the poor — but low fares, per se, will be no help to the poor if the transit service is inaccessible or unresponsive. In this connection, in-kind assistance to the poor could be provided relatively simply through a "transportation stamp" program. If such stamps were also redeemable for taxis, jitneys, and gas and parking for automobiles, conventional mass transit might be stimulated to compete for the additional revenues.

A categorical grant program for direct Federal support of transit operating costs, if it were deemed desirable, could be designed in a number of different ways ranging from very strict supervision of criteria to a simple performance standard approach which would evaluate results from time to time. Such a program might also be used to induce changes needed in the organization and operation of urban mass transportation and in related community policies. If such changes were desired and were required as a condition of assistance, means of auditing and appraising such result could be designed accordingly.

It would be difficult to judge legitimate differences in local conditions. Some local preferences might have to be countermanded, but consistent with the Revenue Sharing bills every effort should be made to encourage local innovation.

This represents a basic dilemma in considering a Federal program of operating subsidies; on the one hand extensive standards and controls would be extremely difficult to administer and could generate a great deal of friction and conflict with local officials, while on the other hand granting funds without any performance standards would provide no assurance that they were being used effectively or even distributed equitably.

Certainly, some form of general revenue sharing would undoubtedly be a more effective way of providing financial assistance to hard-pressed State and local governments since the funds could be used to meet any local need, including transit, without having to favor transit activities in order to qualify. Furthermore, a relaxation of restrictions on the rigid categories of Federal funds currently allocated for transportation purposes would also increase State and local ability to respond flexibly to their own concepts of need and priority. In the meantime, public transit needs must be met in one form or another if it is to survive this transition period.

SUMMARY CONCLUSION

In sum, there is not enough reliable or behaviorally validated information available at present for anyone to advocate with confidence a definitive solution to the problem of urban transit or to gauge accurately the long-range effect of a Federal subsidy program.

Uncertainties extend to such fundamental questions as whether or how consumers will respond to changes in transit service, fares, convenience or amenity; what might induce sufficiently large numbers of commuters to leave their cars; what cost savings or service improvements would be possible through management improvements, marketing techniques, new uses of off-peak capacity, and regulatory or other policy changes; and how transit operators would respond to different operating subsidy mechanisms.

What is required is further exploration that will develop answers to a number of these questions and provide a better general information base for urban transportation policy decisions at all levels of government.

B. Recommendations

In accordance with the above conclusions, we make the following recommendations:

1. The Congress enact the President's recommended Transportation Special Revenue Sharing proposal. This proposal is premised on a commitment to local autonomy and flexibility in the use of Federal assistance being provided for transportation purposes. It would eliminate the separate categorical assistance programs (with their differing terms and conditions, matching ratios, and funding variations) and allocate the funds to States and metropolitan areas for use in accordance with local concepts of need and priority. Enactment of this proposal would allow Federal funds to be used for transit operating subsidies where States and local communities find this a pressing need. Enactment of the President's proposed General Revenue Sharing, as well, would provide additional Federal funds for States and local governments to use for transit operating subsidies or any other purpose unconditionally.

2. The Department will continue to evaluate the desirability and practicality of service and policy innovations such as the ones described in Chapter V and also to study the important questions relating to

operating subsidies discussed in Chapter IV. If the results of these evaluations indicate the desirability and feasibility of further initiatives — with or without required changes in legislation -- the Department will submit appropriate recommendations to the Congress. Meanwhile, the Department will continue to implement its recently expanded capital assistance and research, development, and demonstration programs.

ITEM K. U.S. Department of Transportation, Transportation Systems Center, "Possible Effects of Fare Increases on New York City Transit Ridership and Revenues"

This is an informal technical document including information subject to change. This Administration does not necessarily endorse all of the views, conclusions or recommendations contained in this material.

POSSIBLE EFFECTS OF FARE INCREASES

ON

NEW YORK CITY TRANSIT RIDERSHIP AND REVENUES

Approved for Distribution: Howard Slavin

Date: May 8, 1981 Sponsor: Office of Policy, Budget and Program Development, UPP-1

George Wang
Donald Ward
Frank Hassler

May 1981

This document contains information subject to change. This is considered an informal technical document for working level communication and dissemination of preliminary information within the cited project. Distribution is effected by and the responsibility of the TSC Program Manager.

U.S. DEPARTMENT OF TRANSPORTATION
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EXECUTIVE SUMMARY

Proposed reductions in Federal operating assistance will require that urban transit systems undertake such measures as reducing service, requesting more local or state aid, or increasing fares. In New York City, Federal assistance of about $123 million in each of FY81 and FY82 is expected to be phased out by FY85. In order to determine what magnitude of fare increases would be necessary to offset these losses, TSC developed models of New York City transit ridership

and revenue. The models were based on historical monthly ridership data from 1975 to 1980, historical transit fares and New York City gasoline prices (both adjusted for inflation). Analysis revealed a generally steady decline in transit ridership that may be expected to continue even without fare increases. The models showed ridership levels to be only mildly sensitive to fare (a conclusion reached in many other transit ridership studies). Thus raising fares is a viable means of increasing revenues.

Several forecasts were carried out under differing assumptions of future fare levels. These showed that an increase in fare of five cents annually for three years would suffice to offset the loss of Federal operating assistance. This would be accompanied by about a four percent loss in ridership, other things being equal. A brief look at the trend in overall operating expenses revealed that, if operating costs continue to grow at 10 to 12 percent annually, a fare level on the order of $1.50 will be necessary to avoid heavy increases in local and state subsidies. This could lead to a ridership loss of as much as twenty percent.

PREFACE

This paper was written for UMTA's Office of Policy, Budget and Program Development. It describes the results of models developed and applied to examine the effects of alternative transit fare increases on ridership and revenues in New York City's public transit system. In particular, the fare increases necessary to offset proposed reductions in Federal operating assistance to New York City are discussed.

Because of the need to produce results quickly in time for a Congressional hearing, the time frame available for this work was limited — two days. George Wang (DTS-243) structured the data, designed the models, estimated the equations, and produced the forecasts. He also supplied the model technical documentation in the Appendix. Donald Ward (DTS-242) directed the study and wrote the main body of this paper. Frank Hassler (DTS-20) contributed additional analytical capability and valuable insight.

Introduction

Among the cost-cutting proposals the new administration has put forth are those reducing and eventually eliminating Federal operating subsidies for urban public transit systems. These proposals, coming at a time of rapidly rising costs, will require increases in local or state subsidies, fare increases,

service reductions, or some combination of these measures. In many cases since local governments will not have funds available to boost transit subsidies, fare increases and service reductions will be mandatory.

These problems will be experienced in New York City, where Federal operating assistance in 1980 amounted to about $150 million, ten percent of the operating budget. In order to assess the effects of the loss of Federal subsidies, TSC developed some simple models of New York City ridership and revenue. This paper describes these models and the results of applying them under several fare policy assumptions.

Background

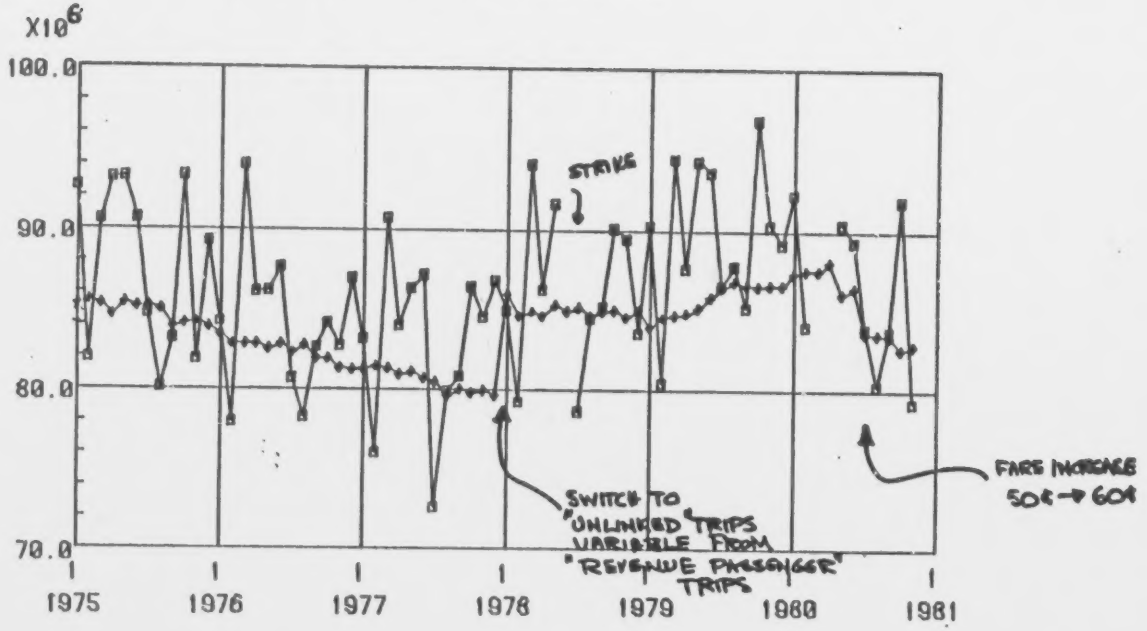
Overall transit ridership in New York City shows a decline from the mid-70's to the present. Figures 1 and 2 show, for rapid transit (subway) and surface (bus), respectively, monthly ridership from 1975 through late 1980. In both cases, three components of the historical trend are easily observed. First, a gradual and continuous decline in ridership, better than ten percent, was experienced from 1975 until about the beginning of 1979. During this time, the real price of gasoline in New York City was fairly stable (see Figure 3). Total vehicle miles operated, however, fell by approximately 20 percent (see Figure 4). In 1979, gasoline prices rose substantially and transit ridership also turned around. Vehicle miles supplied in New York City also rose, for the first time since the 1960's. Finally, in early 1980 real gas prices peaked and fell off, accompanied by falling transit ridership in spite of slight continued growth in vehicle miles operated. A ten-cent fare increase in mid-1980 appeared to accelerate the ridership losses.

Although external economic factors, such as gasoline prices rises, may provide short-lived boosts to transit ridership from time to time, it is likely that the slow steady decline in New York City transit ridership, on the order of 1.2 percent per year historically, will continue. We believe on the basis of other research that this trend may be due to the slow diffusive growth characteristics of cities in general, the related changes in migration patterns of particular socioeconomic groups, and the attendant issues of car ownership and use.

New York City transit farebox revenues roughly reflected ridership until July of 1980 when the transit fare was increased from 50 to 60 cents. The four

FIGURE 1

NEW YORK CITY RAPID TRANSIT RIDERSHIP



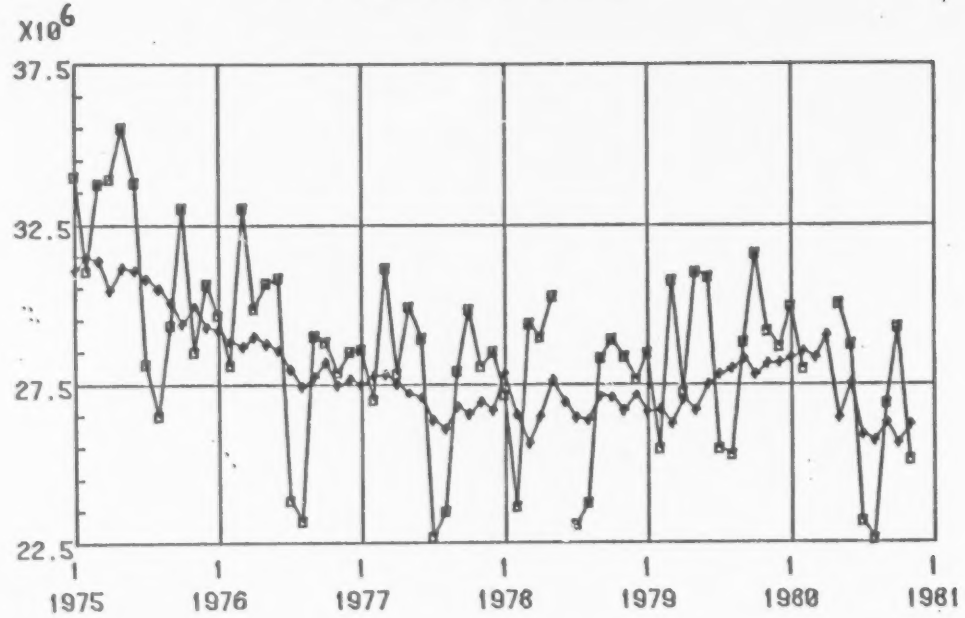
SYMBOL

▫ ACTUAL

♦ SEASONALLY & WORKING-DAY ADJUSTED SERIES

FIGURE 2

NEW YORK CITY SURFACE RIDERSHIP



SYMBOL

□ SURFACE UNLINKED TRIPS - ACTUAL

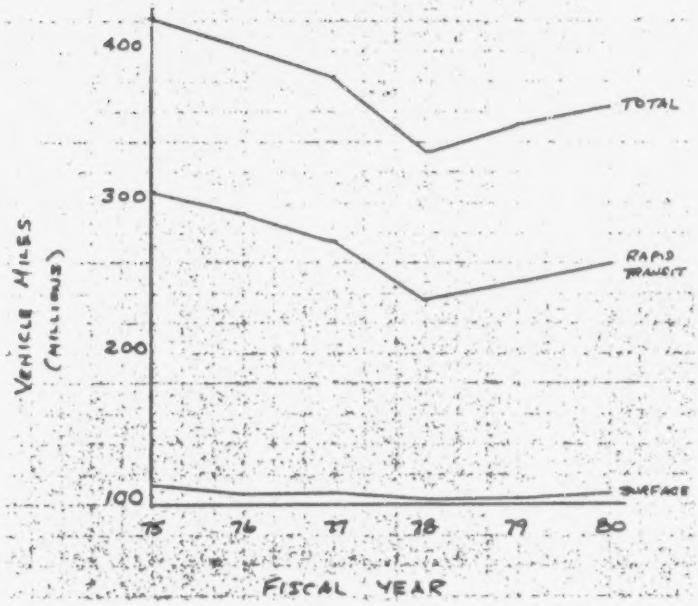
◆ SEASONALLY & WORKING-DAY ADJUSTED SERIES

FIGURE 3

NEW YORK CITY GAS PRICE
(CONSTANT 1972 DOLLARS)

FIGURE 4

NEW YORK CITY TRANSIT
VEHICLE MILES



months following the fare hike showed a revenue increase of about 13 percent, compared to the same four months in 1979, despite lower ridership on the order of five percent.

Although vehicle miles declined during the 1970's until 1979, transit operating expenses increased an average of 12 percent annually FY74 through FY79. Expenses for FY80 increased by $146 million over FY80, a 10.7 percent increase, to reach a total of $1512 million.

Since 1975, the first year UMT Act Section 5 operating grants were available, Federal operating assistance to New York City has grown to $151 million in FY80. Reductions in levels of assistance to New York City being considered at this time would result in $123 million in each of FY81 and FY82, $85 million in FY83, $48 million in FY84, and zero thereafter.

Ridership Modelling

Two models of New York City transit ridership were developed: one for rapid transit, one for surface lines. Because of the short time frame available

for this work, the data used for model development was limited to whatever was immediately at hand. Primary historical data included the following:

- Ridership: Monthly surface and rapid transit riders from January 1975 to November 1980 (APTA Monthly Transit Ridership).
- Fares: Adult cash fare deflated by national consumer price index for all urban wage earners.
- Gas prices: Monthly New York City gasoline price at the pump level (computed by averaging weekly prices) deflated by the national consumer price index (Oil and Gas Journal).

Other variables used in the models were the following:

- A variable to account for the difference in measuring transit ridership: by revenue passengers until December 1977, and by unlinked passenger trips from then on.
- Variables to account for seasonal variations by month.
- Variables to account for the number of regular working days in a month.
- A variable to account for the secular trend.

Of other variables that could have been included in the models if available, most notable is perhaps vehicle-miles operated or some other representation of the amount of service supplied. (The effects of omitting a service supply variable will be described later).

The modelling techniques used in the analysis were regression models with time series errors. The Appendix to this paper contains technical details of the modelling process.

The two model equations estimated were used to generate historical ridership volumes for validation purposes. Figures 5 and 6, rapid transit and surface respectively, show how these equations replicated the trend data. The regression correlation coefficients (R^2) for these equations were 85 percent for both surface and rapid transit, i.e., the models were able to explain 85 percent of the variation in ridership.

Transit farebox revenues were not separately modelled but computed as a product of ridership and fare. Fare revenues estimated by this method compare well with reported revenues.

FIGURE 5

NEW YORK CITY RAPID TRANSIT RIDERSHIP
MODEL COMPARISON

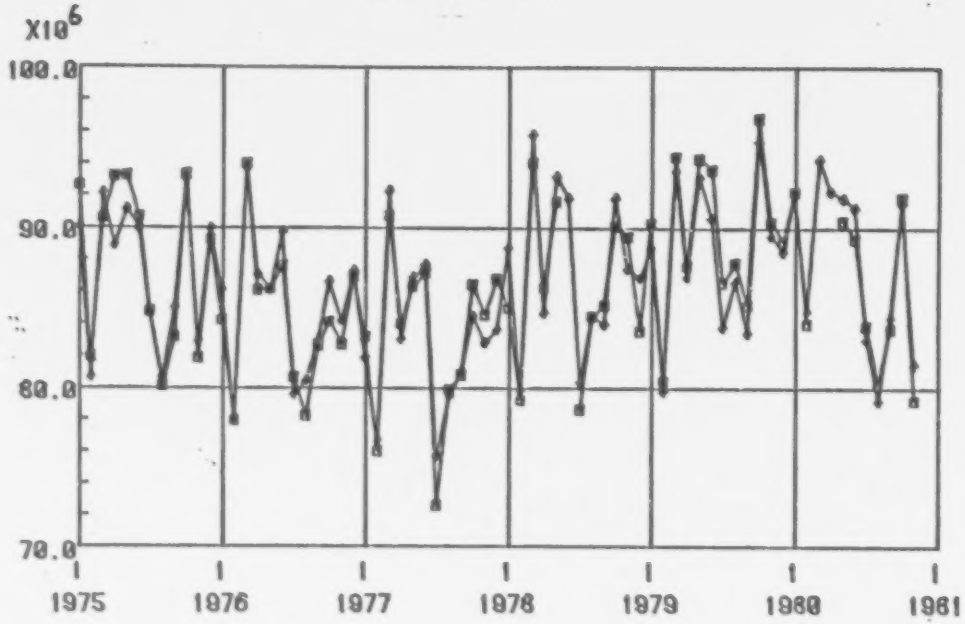
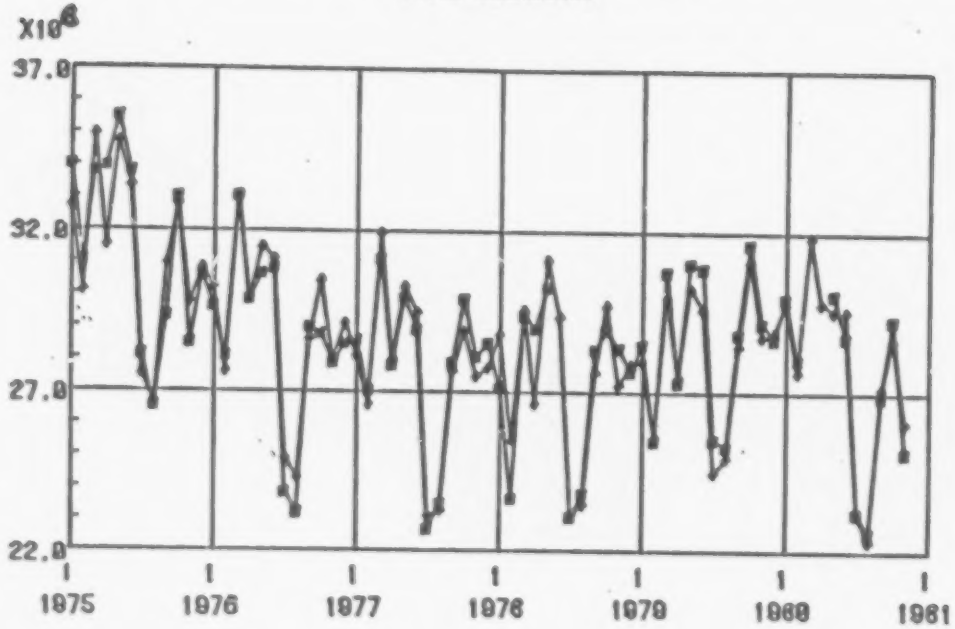


FIGURE 6

NEW YORK CITY SURFACE RIDERSHIP
MODEL COMPARISON



SYMBOL

■ SURFACE UNLINKED TRIPS - ACTUAL

♦ SURFACE UNLINKED TRIPS - PREDICTED

Model Forecasts

Ridership and revenues were estimated for fiscal years 1981 through 1985 under four assumptions regarding fare level. These are presented in Table 1. Case 1 is the base case. It assumes a fare hike in July of this year to 75 cents and no further increases. Case 2 assumes another 15 cent increase in July of 1982: this level was selected because preliminary estimates showed it to be approximately the fare increase needed to offset Federal subsidy reductions. Case 3 distributes this increase over three years. Case 4, in which the fare rises to $1.50 by FY 85, was studied in order to provide indications of the fare levels that might be necessary to avoid large increases in local and state operating assistance.

Forecasts of consumer price index and New York City gasoline price were taken from economic forecasts developed by Data Resources, Inc.

The results of the analysis show quite clearly a sensitivity of ridership to both fare level and gasoline price. The elasticity estimates developed from the models are presented in Table 2. The fare elasticities compare well with those found in other studies, although it might have been expected that the difference in magnitude between the bus and rapid transit elasticities would have been larger. The gas price elasticities do show a difference in sensitivity between bus riders and subway riders to the cost of gasoline.

Ridership estimated for the four cases is shown in Table 3. In the base case the number of transit riders is expected to fall more than 11 percent by 1985, in spite of small increases in the real gasoline price. A 90 cent fare in 1985 (Cases 2 and 3) is expected to reduce annual ridership by about 15 percent compared to 1981. A 27 percent decrease in ridership would be experienced assuming the fares of Case 4.

A few comments on model weaknesses are appropriate. Although the ridership for Cases 2 and 3 are shown to be equal in FY85, it is more likely that Case 3 ridership would be somewhat higher than that of Case 2 in 1985. The overall ridership loss from several small fare increases is probably lower than the loss arising from a lump sum increase. The models do not take into account any real-world disproportionalities that would arise from different patterns of fare increases.

TABLE 1

ALTERNATIVE FARE ASSUMPTIONS

FARE (¢)

	Present through 6/81	7/81	7/82	7/83	7/84
Case 1	60	75	75	75	75
Case 2	60	75	90	90	90
Case 3	60	75	80	85	90
Case 4	60	75	100	125	150

TABLE 2

RIDERSHIP ELASTICITIES

	with respect to fare
Surface	-.21
Rapid Transit	-.20
	with respect to gasoline price
Surface	.30
Rapid Transit	.12

Elasticity: $\frac{\%\text{ change in ridership}}{\%\text{ change in fare or gas price}}$

TABLE 3

ESTIMATED RIDERSHIP AND REVENUES

Revenue Passengers (Millions)

Fiscal Year	Case 1	Case 2	Case 3	Case 4
1981	1261.6	1261.6	1261.6	1261.6
1982	1203.9	1203.9	1203.9	1203.9
1983	1175.5	1127.5	1159.2	1096.7
1984	1154.7	1109.9	1124.6	1011.7
1985	1116.7	1074.8	1074.8	920.9

Fare Revenues (Millions)

1981	756.9	756.9	756.9	756.9
1982	902.9	902.9	902.9	902.9
1983	881.6	1014.7	927.4	1096.6
1984	866.0	998.9	955.4	1264.6
1985	837.5	967.3	967.3	1381.3

Further, the level of ridership indicated for Case 4 should be viewed as "ball park" only. Fare increases of the magnitude of Case 4 probably require the models to extrapolate past the limits of their credibility.

Finally, because neither vehicle miles operated nor any other variable representing service was available for use in the model, the ridership forecasts do not reflect changes in service provided. To the extent that service reductions, perhaps substantial ones, are likely to be implemented in order to cut operating costs, ridership decreases above and beyond those expected due to fare hikes are probable. Traditionally, transit riders have been more sensitive to quality of service than to cost.

Table 3 and Figure 7 show the total fare revenues for the four cases. It can be seen that without further fare increases (Case 1), farebox revenues will resume their decline. Cases 2 and 3 exhibit modest increases in revenues, while Case 4 fare levels can be expected to result in relatively large revenue increases.

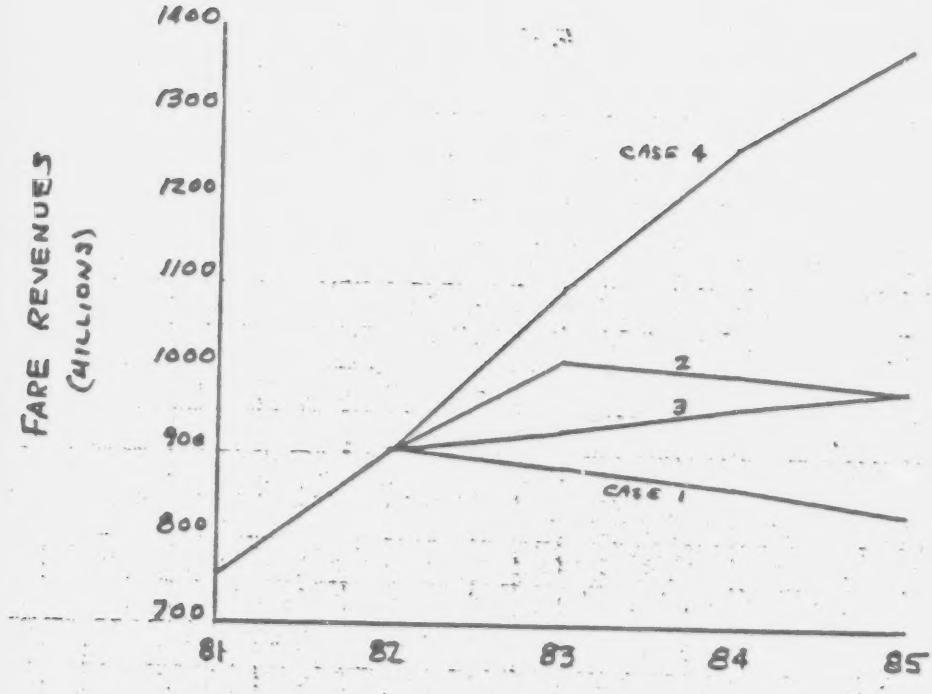
To gain a feel for the magnitudes of these increases, Figure 8 presents a comparison of fare revenue gains with likely losses of Federal operating assistance. The dotted line in each graph represents the loss of Federal assistance funds relative to the proposed subsidy for FY82 ($122.9 million -- same as FY81). The dotted lines are, of course, the same on each chart. The solid lines represent the difference in fare revenues expected for each case compared with the base case. Thus in Case 2 the 15 cent fare increase in July 1982 results in FY85 farebox revenue that more than offsets the subsidy phaseout at that time, and provides extra revenue (perhaps to hold down increases in local or state subsidies) in the intervening years.

In Case 3, a fare increase of five cents per year beginning in July 1982 approximately offsets each year's reduction in Federal operating assistance. The assumed fares of Case 4 would provide substantially greater revenue than needed; implications of this level of fares are discussed below.

A more general picture of the results is shown in Figure 9 in the context of historical operating costs, revenues and subsidies. In this figure, the shaded areas of the curve represent the subsidy requirement of operating cost minus operating revenues. The Federal share of that subsidy is highlighted to reflect the reductions and phaseout of Federal assistance.

FIGURE 7

ESTIMATED NEW YORK CITY TRANSIT FARE REVENUES



CASE 1: NO FARE INCREASES AFTER FY82

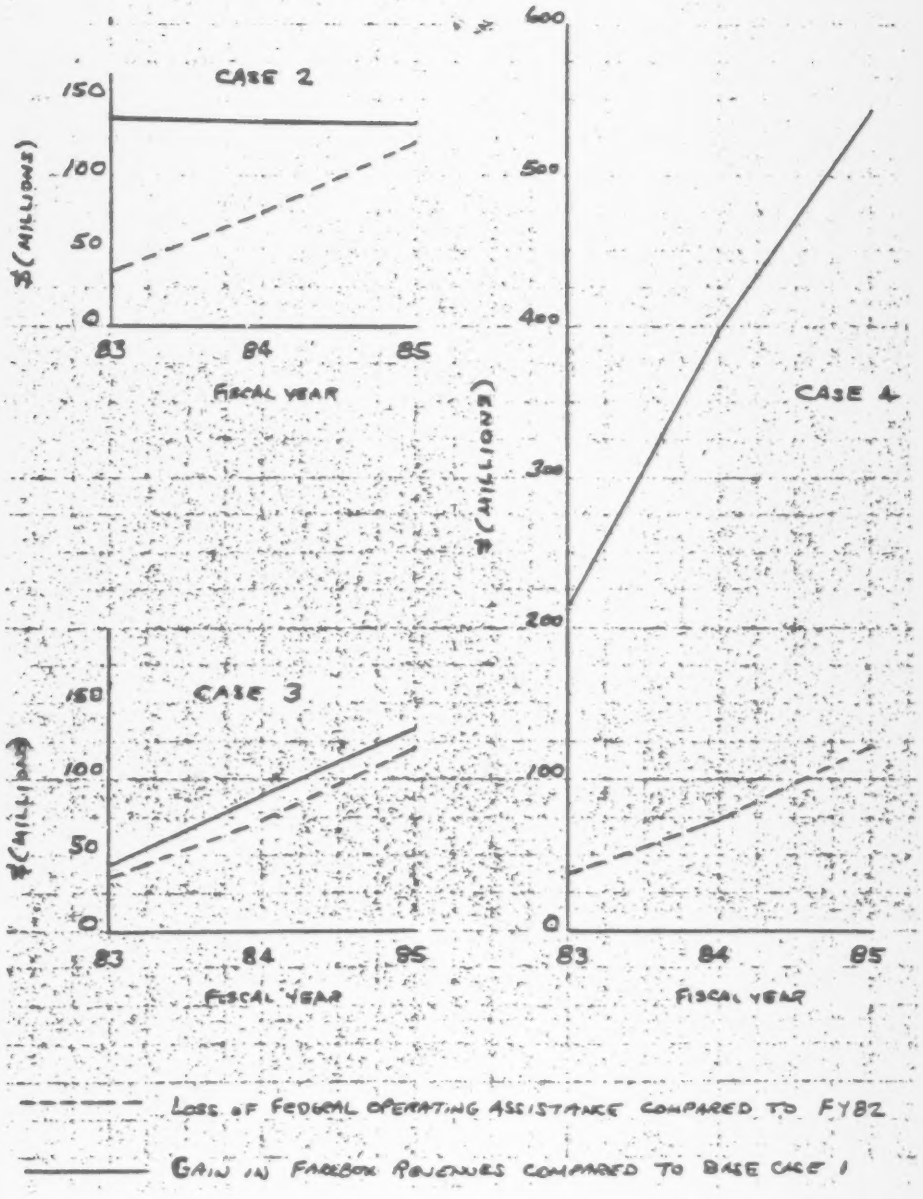
CASE 2: 15¢ FARE INCREASE IN FY83

CASE 3: 15¢ FARE INCREASE OVER 3 YEARS

CASE 4: FARE RISES TO $1.50 IN FY85

FIGURE 8

COMPARISON OF LOSSES AND GAINS



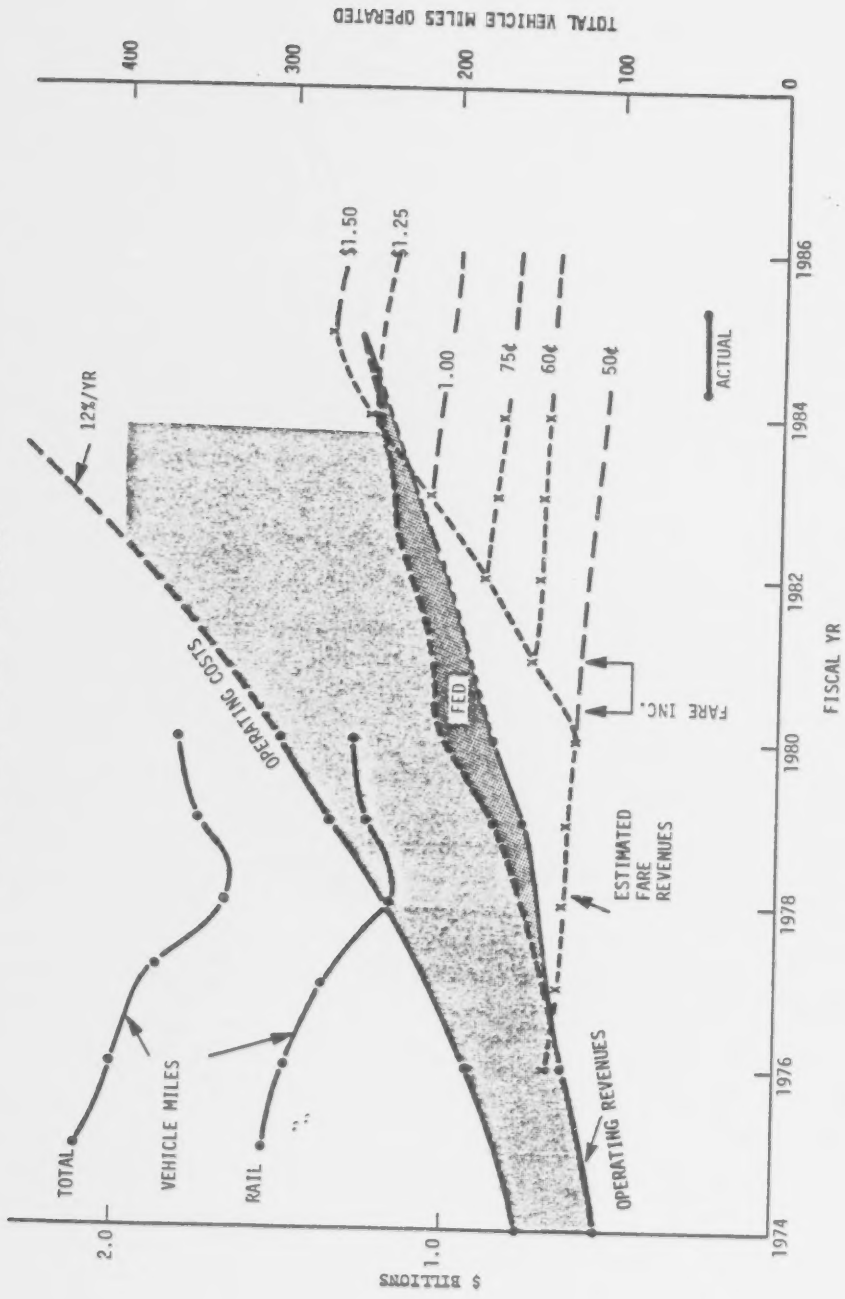


FIGURE 9

NEW YORK CITY TRANSIT OVERVIEW

15-453 0 - 83 - 23

As discussed earlier, operating costs have grown at about 12 percent per year for the period 1974 to 1980 in spite of service reductions that lowered the vehicle miles of service provided. In view of the steady upward pressure or costs, there is little reason to be optimistic concerning cost control.

By comparison total operating revenues reported for the same period have grown at about 8.3 percent per year. Section 15 data for FY79 and 80 on the fraction of total operating revenues realized from fares is shown in Figure 9 as a relatively flat and decreasing share of revenues. A slow steady increase in total operating revenues reported in the annual statistics is also shown; this cannot be accounted for by farebox revenues.

Finally, in Figure 9 a series of fare revenue curves are presented for varying flat fare increases. These reiterate the finding that a total fare increase of 15 cents phased in as the Federal operating subsidy is phased out would offset the impact on the city and state of the lost financing. A second interpretation is that if costs continue to grow as they have grown in recent years, fares would have to rise to about the $1.50 level by FY85 if state and local subsidies were to be held at present levels.

Conclusions

It is clear that cost escalation (or control) of the New York system is a vital issue. The brief analysis performed by TSC can only serve to highlight some of the problems and the need for more careful study. For example, revenue statistics should be reconciled with ridership estimates. Operating costs and service levels need to be better understood if any reliable estimates are to be made on the issue of cost control.

The original question "what fare increases are required to offset the loss of Federal operating subsidies?" appears to have a reasonably reliable answer, "About 15 cents." But clearly the real problem facing New York is much bigger.

Technical Appendix

Modelling and Forecasting Monthly New York Transit Ridership

I. Introduction

The purpose of this study was threefold: (1) to conduct and empirically estimate monthly models for surface and rapid transit ridership in New York City; (2) to estimate the impacts of increases in real fares and real gasoline price on transit ridership; and (3) to generate four-year forecasts of unlinked passenger trips, revenue passengers and total revenues.

The modelling technique used in this study was regression with time series errors. This technique is a synthesis of the econometric approach and time series approach. The major statistical findings of the model can be summarized as follows:

(1) The empirical results support the hypothesis that transit ridership has a negative relationship to real fare and positive relationship to real gasoline price.

(2) Both rapid and surface transit exhibit strong seasonal variation with trough activity occurring in the months of July and August.

(3) Empirical results indicate there are strong working-day variations in monthly ridership data.

The organization of this appendix is composed of two sections. Section II of this Appendix discusses an empirical model-building technique and the models. Section III presents the statistical results.

II The Empirical Models

In this section, we first discuss some general concepts on empirical model building and then present the specific models for transit ridership in New York City.

2.1 Some Considerations on Empirical Model Building

It is a difficult task to build and select alternative models based on nonexperimental data (i.e., observed data). This is because the variable of interest (the dependent variable) is influenced by many variables and/or interactions of these variables. Hence, ideally a very complicated model with a large set of parameters will be desired. However, the following factors limit the building of such a model: (1) the limited length of sample data, (2) the data availability of independent variables and (3) the increasing unreliability of the parameters as the number of parameters increase in the model. Hence, all models are wrong in the sense of not fully incorporating all variables found in reality. However, an empirical model is considered adequate if it can successfully serve the purpose for which it was intended. The empirical model serves two purposes in this study: (1) to aid in a better understanding of the nature of the mechanism generating this process and (2) to provide a partial prediction of the various outputs Y_t from various values of the input variables X_t's in the presence of unknown disturbances in the post-sample period.

Symbolically, the empirical model is stated as:

$$Y_t = f(X_t\text{'s}|\beta) + U_t \quad \text{and} \quad U_t = \frac{1}{\phi(B)} e_t \qquad (1)$$

$$\phi(B) = (1 - \phi_1 B - \phi_2 B^2 \cdots \phi_p B^p)$$

and B is a backward shift operator.

The part $f(X_t\text{'s}|\beta)$ is a predictable component, which contains the observed values of the X's and the associated unknown parameters β. U_t is considered as a catch-all variable which can be represented by a stationary parametric time series model such as a p^{th} order autoregessive process $U_t = \frac{1}{\phi(B)} e_t$. The notation e_t represents a sequence of independent normal random variables with zero mean and constant variance $\sigma_{e_t}^2$. The modeling of the error structure of U_t can be thought of as an approximation of the systematic effect of the omitted variables on the output series Y_t. Certainly, predictive accuracy will be improved if all possible systematic elements in the output series are extracted. For this reason, special attention was paid to modeling the error structure U_t.

Our modeling process can be summarized as follows:

(1) Based on transit and economic considerations and the availability of data, all possible independent variables were experimented with in the model. This type of model is referred to as a "full model."

(2) According to the initial empirical results, the variables which are not statistically significant are deleted. The subsets of the full model are called reduced models.

(3) An analysis of the residuals from a reduced model was conducted. The analysis of residuals provides the following useful information: (1) some ideas of the homogenity of variance, (2) some sort of normality of errors, (3) outlier identifications and replacement (4) the appropriate degree of differencing in the model if U is a nonstationary time series and (5) information about misspecification of functional form of the equation.

(4) The model is considered as adequate if U_t is a "white noise" process; otherwise the error of U_t is modeled.* In this study, the following error structures of U_t were examined:

$$(1 - \rho B)u_t = e_t$$
$$(1 - \rho_{12} B^{12})u_t = e_t \qquad (2)$$

In summary, a synthesis of econometric and time series modeling approach is adopted in this study.

2.2 The Models

In general, monthly demand for urban transit is a function of a wide variety of factors. However the data for the measurement of many variables were not available to us at the time of this study. Therefore, the omitted variables are naturally contained in the error terms of the model, and special attention was directed toward modelling the parametric structure of these error terms.

*A random variable e_t is called a white noise process if it is normally independently distributed with zero mean and constant variance σ_e^2.

It is generally recognized that surface transit and rapid transit provide non-homogenous transit services. For this reason, we constructed two models for surface and rapid transit lines, respectively. The statistical model for surface transit was as follows:

$$Y_{1t} = \partial_0 + \partial_1 X_{1t} + \partial_2 X_{2t} + \partial_3 X_{3t} + \partial_4 X_{4t} + \partial_5 X_{5t} + \sum_{i=1}^{n} \beta_i D_{it} + u_{1t} \qquad (3)$$

where

Y_{1t} represents New York surface transit ridership. Monthly transit ridership was measured in 1000 revenue passengers from January 1975 to December 1977. Since January 1978, monthly transit ridership has been measured by unlinked transit passenger trips (in 1000). The monthly ridership data is available from the various issues of Transit Ridership published by APTA Statistical Department.

X_{1t} denotes real adult cash fare. The real adult cash fare is obtained deflating the adult cash fare by the consumer price index for all urban wage earners. The historical fare data was obtained from the New York City transit authority. The national consumer price index is available from various issues of Survey of Current Business.

X_{2t} is the current monthly gasoline price at pump level in New York City, deflated by the national consumer price index. The monthly gasoline price is the average of weekly gasoline prices, available from the Oil and Gas Journal.

X_{3t} represents the dummy variable for the changing definition of the measurement of ridership from revenue passengers to unlinked passenger trips.

X_{4t} represents working-day variation and holiday effects in monthly transit data. The variable is defined as = [the number of working days in the t month-(the number of federal and religious holidays occurring in the t month * 20.0)].

X_{5t} denotes a trend variable which represents secular changes occurring over a period of years. The variable is specified as (T-35.0). T = 1 for January 1975, 2 for February 1975 and so forth.

D_{it} i = 1, 2, —— 11 represent seasonal variations in monthly ridership data. The variable of D_{it} is

$$D_{it} = \begin{cases} 1 & \text{if observation } t \text{ occurs in month } i \\ -1 & " \quad " \quad " \quad " \quad " \quad " \quad \text{December} \\ 0 & \text{otherwise} \end{cases}$$

and U_{it} are the error terms of the model (1) which is assumed to be a stationary time series.

The statistical model for rapid transit is:

$$Y_{2t} = \delta_0 + \delta_1 X_{1t} + \delta_2 X_{4t} + \delta_3 X_{3t} + \delta_4 X_{4t} + \delta_5 X_{5t} + \sum_{i=1}^{11} \theta_i D_{it} + U_{2t} \qquad (4)$$

where

Y_{2t} represents rapid transit ridership.

U_{it} are the error terms of the model which is assumed to be a stationary time series.

and X_{it} , i = 1, ---,5 and D_{it} i = 1, --- 11 are defined in equation (1).

III Empirical Results

Monthly time series data from January 1975 to November 1980 were used to estimate the parameters of models for transit ridership. There were two major service interruptions due to strikes in this period: the first one was in June 1978 and the second one was in March and part of April 1980. In our modelling technique, we preadjusted these strike effects in the data by a time series procedure. Thus, the estimated models explain the behavior of monthly transit ridership under normal conditions.

The estimated model for surface transit is reported in Table A-1 and the model for rapid transit is shown in Table A-2. The corrected R^2 of estimated models for surface transit is 0.845, this implies that 84 percent of the variation in surface transit ridership can be explained by this model. Further, the Durbin-Watson statistic (D-W Stat) is equal to 2.07, which indicates the error term of e_t is free of first-order autocorrelations. To reinforce our confidence, sample autocorrelations of the estimated residual the $\hat{U}_{1t}$ were also calcualted and they supported the hypothesis that U_{1t} is distributed as a first-order autoregressive process.

In the surface transit model, the coefficient of real fare is negative (but statistically significant at only the 50 per cent level.) This implies that ridership will decrease as real fare increases. The coefficient of real gasoline price is positive (and significant at the one per cent level.) This suggests that as real gasoline price increases, surface transit ridership will increase. The coefficient of X_{3t} estimates the effect of changing definition from revenue passengers to unlinked passenger trips. The coefficient of X_{3t} is 0.047, which indicates, on the average, the unlinked passenger trips are 4.8 per cent higher than revenue passengers.

In the rapid transit model, the signs of coefficients of real gasoline price and real fares are consistent with our prior expectations and statistically significant at least at the 10 per cent level. These empirical results support the hypothesis that rapid transit ridership has a positive relationship to real gasoline price and a negative relationship to real fares. The coefficient of X_{34} is 6457.1 (in 1000), which can be interpreted that, on the average, the monthly unlinked trips are 6457.6 larger than monthly revenue passengers in this sample period.

In terms of seasonality, both surface and rapid transit ridership in July and August are relatively low compared with the other months of the year.

Table A-1 Estimated Surface Transit Equation in New York City (log Y_{1t})

	Variables	Coefficients	Standard Errors	t-Statistics
1	Constant	8.854	0.342	25.889
2	log (X_{1t})	-0.211	0.196	-1.074
3	log (X_{2t})	0.296	0.085	3.488
4	X_{3t}	0.047	0.031	1.52
5	X_{4t}	0.013	0.005	2.800
6	X_{5t}	-0.005	0.001	-4.026
7	D_{1t}	0.021	0.015	1.335
8	D_{2t}	-0.045	0.016	-2.713
9	D_{3t}	0.089	0.016	5.511
10	D_{4t}	0.018	0.016	1.128
11	D_{5t}	0.074	0.016	4.539
12	D_{6t}	0.055	0.016	3.451
13	D_{7t}	-0.153	0.015	-9.663
14	D_{8t}	-0.174	0.016	-10.648
15	D_{9t}	0.018	0.016	1.132
16	D_{10t}	0.063	0.016	3.83
17	D_{11t}	0.007	0.016	0.449

First-order autoregressive process of error term

$$\hat{u}_t = 0.428\ \hat{u}_{t-1} + e_t$$

$R^2 = 0.845$, $F(16/54) = 24.86$, Dependent variable=log (Y_{1t})

D-W Statistic = 2.07

Time Period = January 1, 1975 to November 1980

Estimation Method = Generalized least squares.

Table A-2 Estimated Rapid Transit Equation in New York City

	Variables	Coefficients	Standard Errors	t-Statistics
1	Constant	88013.10	11300.10	7.788
2	X_{1t}	-65911.40	35710.00	-1.757
3	X_{2t}	263.59	79.55	3.31
4	X_{3t}	6430.46	1306.97	4.92
5	X_{4t}	2106.26	290.75	7.244
6	X_{5t}	-245.49	62.07	-3.955
7	D_{1t}	591.45	841.28	0.703
8	D_{2t}	-4805.92	891.78	-5.389
9	D_{3t}	4681.46	875.59	5.346
10	D_{4t}	2167.45	871.43	2.487
11	D_{5t}	1572.69	875.01	1.797
12	D_{6t}	2702.63	838.38	3.22
13	D_{7t}	-4744.82	836.66	-5.67
14	D_{8t}	-6457.61	876.95	-7.34
15	D_{9t}	-1004.96	860.63	-1.17
16	D_{10t}	2605.49	879.91	2.96
17	D_{11t}	795.91	880.87	0.90

First-order autoregressive process of error term

$$\hat{u}_t = 0.177\ \hat{u}_{t-1} + e_t$$

$R^2 = 0.844$, $F(16/54) = 24.58$, Dependent variable: Y_{2t}

D-W Statistic = 2.05

Time Period = January 1, 1975 to November 1980

Estimation Method = Generalized least squares.

ITEM L. - Letter From Arthur E. Teele, Jr., to Honorable Adam Benjamin, Jr., on Impacts of Operating Assistance Phase Out

DEC 22 1981

The Honorable Adam Benjamin, Jr.
Chairman, Subcommittee on Transportation
Committee on Appropriations
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

Thank you for your recent letter regarding the impacts of phasing out Federal operating subsidies for transit. I appreciate this opportunity to respond to the figures published in the 1981 APTA Transit Fact Book, which are taken directly from a study by the Regional Plan Association (RPA).

In summary, the RPA study is based on the faulty assumption that the Reagan Administration intends that Federal operating subsidies be replaced entirely by fare revenues. This assumption exaggerates the impact of phasing out Section 5 assistance. The RPA analysis also is based on some other dubious assumptions which tend to overstate the impact of the gradual withdrawal of Federal operating subsidies for transit. As you requested I will deal with the APTA/RPA assertions point by point.

o Transit fares would increase by 37%

RPA's prediction is based on a misunderstanding about the Reagan Administration's proposal to phase out operating subsidies. In the news release on this study, RPA describes the proposal as follows: "President Reagan's proposal to replace subsidies by higher fares . . .. "

In fact, President Reagan's proposal is not to replace Federal assistance with fares. Rather, it is to gradually phase out operating assistance and to let State and local governments and transit operators decide how to deal with lost Federal subsidies. We believe that the most likely response would not consist of fare increases alone, but would involve a combination of factors including:

- increased fares,
- decreased service (elimination of inefficient and unproductive service),
- increased State and local taxes and private sector financing, and
- improved productivity and efficiency.

The RPA "fares alone" assumption could legitimately be used as the basis of a worst case analysis to estimate the outer limits of the effects of a phaseout under the worst possible conditions. The RPA analysis, however, is not a worst case analysis. It is a "prediction" based on a misunderstanding. The RPA prediction of a 37 percent increase in fares is

therefore higher than we would expect for the Nation as a whole.

The RPA analysis also exaggerates the impacts of the proposal by failing to reflect the gradual nature of the phaseout. Specifically, it would probably be more meaningful to look at fare increases on an average annual basis. If the RPA 37 percent fare increase prediction is applied to the 1980 national average fare of 40 cents, the result would be an annual average fare increase of 5 cents a year over the 3 remaining years of the phaseout.

All of RPA's subsequent predictions are biased upwards by their incorrect assumption about the Administration's proposal. To avoid repetition, however, I will not mention the effects of this assumption again. Instead, I will concentrate on the chain of assumptions behind RPA's conclusions.

o Transit ridership would decline 11% or 900 million passenger trips.

The RPA study has assumed a .3 percent ridership loss for each 1 percent increase in fares. In the short run such a relationship between fares and ridership is roughly valid, although as RPA points out in a more detailed summary of its study, patronage losses tend to be smaller in large cities and larger in small cities. However, in the long run the relationship between fare increases and ridership levels are not known with any degree of precision. On the same page of the Transit Fact Book where the findings of the RPA study are summarized, APTA states that " . . . the loss in passengers would not be this great."

o Automobile usage would increase by 2.4 billion miles.

Of the 1.1 percent reduction in passenger trips, RPA has assumed that 80 percent of these trips would now be by auto. The other 20 percent of these trips would not be made at all or would be replaced by walking. RPA has also assumed an annual auto occupancy of 1.2 persons. These assumptions appear to exaggerate the amount of increased auto travel slightly, but are still reasonable.

An increase in 2.4 billion miles of travel over the three-year out period is relatively small compared to total vehicle travel which would amount to about 3.6 trillion miles over three years at current rates. An additional 2.4 billion miles would amount to an increase of 6/100 of 1 percent in total vehicle travel.

o Gasoline usage would increase by 167 million gallons.

RPA calculated this figure by dividing an estimated 2.4 billion miles of travel by an average fuel economy figure of 14.5 MPG. While the resulting figure seems like a lot of fuel, it is only 2/10 of 1% of the fuel consumed on U.S. highways each year. It could be offset if each driver reduced his weekly driving by 1/3 of a mile.

Moreover, although the existing auto fleet is less energy efficient than mass transit, the fuel economy of the auto fleet is improving sharply. By 1985 the efficiency of new cars will probably be comparable to the efficiency of mass

transit systems. Therefore, while in the short run fare increases may increase energy consumption by a relatively small amount, in the long run the impact is likely to be negligible.

o Consumer cost for gasoline would increase by $240 million.

This figure was apparently calculated by multiplying 167 million gallons times an average price of $1.44 per gallon of gasoline. The RPA study neglects the fact that former transit patrons who are no longer riding transit would save approximately $289 million in transit fares that they no longer pay. This saving would exceed the increased consumer costs of gasoline they would purchase.

On the other hand to save this amount of energy by continuing the Federal operating subsidy of $1.1 billion a year, would cost the country $6.59 for every gallon of gasoline saved. The U.S. cannot afford such a high price to save such a small amount of fuel.

o U.S. payment for foreign crude oil would increase by as much as $650 million.

RPA assumed that all the extra gasoline would come from abroad. Since there is currently a glut of gasoline, this is unlikely. Moreover, the $650 million figure means that RPA has estimated the cost of each gallon of gasoline at $3.89. RPA has provided no details to back up this assumption and it seems much too high.

o The Gross National Product would decline as much as $1.1 billion.

The RPA press release says that the estimated GNP reduction would be from $.1 billion to $1.1 billion. This level is quite small compared to a projected FY '82 GNP of $3.2 trillion. Since the material RPA provided to us does not give any details to determine how they arrived at these figures, it is almost impossible to comment on their assumptions. To the extent that RPA's predicted decrease in GNP is based on the assumption that all extra gasoline would come from abroad, we feel their analysis is flawed.

o The Consumer Price Index would increase 0.1 percent.

The RPA study assumes that the CPI would increase due to increases in transit fares, gasoline, and home fuel oil prices. I question the assumption that there would be any measurable increases at all in the price of gasoline and home fuel oil due to the phasing out of Federal operating assistance. It is true that transit fares are included in the CPI and that an increase in fares would raise this index.

However, this is not the same thing as an increase in the general rate of inflation. In responding to RPA's point on the CPI and on the GNP, it is important to remember that the phaseout of operating subsidies for transit is part of a broader Economic Recovery Program. This program involves a reduction in Federal spending, a reduced Federal deficit, reduced Federal demands on capital markets, and a moderate, predictable increase in the money supply. The goal of this program is a healthy economy with lower rates of inflation.

I believe that such an improved economy would do more to help the state of transit than any other single factor.

You have also asked that I comment on APTA's assertion that 100 to 150 transit systems would have to cease operations. APTA provides no details to back up this statement so it is impossible to comment on the reasoning behind this prediction. It is the intention of the Administration that States and localities make the difficult decisions about how much service to offer and how to pay for it. It is possible that some State and localities might decide that they do not wish to offer any service at all. This would be a local decision.

I have included two staff analyses dealing with the impacts of phasing out operating assistance on fares and service. In addition, we are pursuing a longer range effort on the ability of State and localities to finance transit.

Initial results of this study should be available in the Spring and we hope to combine the results of this work and of our staff work on fares and service in an overall paper on the effects of phasing out operating subsidies. It is likely that this paper would not take the form of a prediction, but rather would explore the envelope of possible impacts. In the final analysis the impacts of phasing out Federal operating assistance will be determined locally.

I encourage you to contact me if you have any further questions.

Warm regards.

Sincerely,

Arthur E. Teele, Jr.

NONURBAN FORMULA GRANTS

Senator D'AMATO. Let us go to section 18 of the bill. Chairman Andrews has requested that I ask several questions on his behalf in regard to nonurban formula grants. What is the reason for terminating funding for smaller jurisdictions, which are much more dependent percentagewise on the operating assistance, while continuing to fund those larger authorities which have a greater flexibility in meeting losses due to decreased operating assistance?

Under the new proposal, we find continued funding of section 18 for the next 3 years. However, the legislative proposal conflicts with the budget request for no new funding in fiscal year 1983. Promoting a legislative package with one figure and a budget figure which requests no funding makes it difficult for Congress to take these requests seriously.

Now do we intend to submit a new budget for section 18 funding? Because without a new budget request for funding, any money put into section 18 funding would have to come out of some other account.

Mr. TEELE. Mr. Chairman——

Senator D'AMATO. Basically, you put $75 million into your legislative proposal, and no money into the budget. Well, maybe you would like to put $75 million in. As a matter of fact, you put less than $75 million into the budget.

Mr. TEELE. Mr. Chairman, we have responded to Chairman Andrews' concerns, and I think it is fair to say that we have reconsidered our position and some of the statements that we have been making in this area, with a view that I think the chairman will find satisfactory.

Senator D'AMATO. Well, what is it? Tell me.

Mr. TEELE. Well, initially we——

Senator D'AMATO. Because I am looking for that. You know, I put in $80 million in that area, but we put it in so it is going to be spent.

Mr. TEELE. Initially, Mr. Chairman, as you have indicated, we had planned to phase out the section 18 program in fiscal year 1983. We have revisited that issue and we have chosen to treat the section 18 program in the identical manner that we will treat the section 5 program. Now we are shifting really from an appropriations question to an authorization question. I think it is necessary to put it in context. We would continue the section 18 program, as long as we would continue the section 5 program.

As it relates to our budget request, we are requesting the authority to use the $43 million in carryover funds that we have available for section 18, and we have agreed to make up the difference in the previous year's funding, I think at the $70 million level, out of section 3. That is, we will use the $43 million primarily for the operational component of the section 18, and we will make up the difference out of the section 3 program for the section 18 capital program.

As you are aware, Mr. Chairman, section 18 has the feature of being both an operating program and a capital program. We would propose to use the carryover funds or the $43 million for the operational side, and make up the approximate difference in an equal amount of the section 3. Therefore, we would treat the section 18 properties in a way consistent with the concerns of this committee.

Senator D'AMATO. OK. I would call to your attention that we are in a catch-22 because the administration places additional emphasis on the capital side. When we take $40 million out of section 3, which is the capital side, we diminish that commitment by *x* amount of moneys. It really comes back to what we have indicated, that you are just going to take that money out of another account and not provide an additional funding source.

So legislatively, you request $75 million, but in terms of budget, you have not requested any funds. As you have indicated, $43 million would come from carryover and the balance from section 3.

TRANSITION COSTS FOR CONRAIL

We have a crisis brewing in terms of the future of commuter rail in this country. The Northeast Rail Service Act of 1981 relieved Conrail of its commuter rail responsibilities. Regulations promulgated by UMTA

and FRA provide some transition funds for these transit authorities which agree to assume Conrail operations.

Now the MTA in New York and ConnDot in Connecticut, in a letter to DOT, has expressed interest in taking over Conrail commuter lines if certain conditions are met. One concern which relates to these conditions is the transition cost. And as you know, we had quite a battle last year in terms of this. I was able, after quite a bit of negotiation, to get that transition cost brought up to $45 million, which I indicated at that time we did not think would be sufficient, but that the administration said should be enough.

Now we find out that the transition costs are approximately double that $45 million, which we had to fight to get last year. What are UMTA and FRA planning to do about this?

Mr. TEELE. Mr. Chairman, the Urban Mass Transportation Administration and the Federal Railroad Administration are working jointly in this area. We have published an emergency interim final rule on February 4 dealing with the transfer of the commuter rail activities.

I think it is fair, Mr. Chairman, to make this committee aware that Kent Woodman, who is currently the chief counsel, in his previous job served as House counsel and cooperated with the House Energy and Commerce Committee in writing some of the legislation. I think he should answer the question, particularly as it relates to the need for additional funding over and above the $45 million.

Senator D'AMATO. You do concede the need for the additional funding?

Mr. TEELE. Mr. Chairman, we have not yet reached the point that the committee has, that there is a need, but we are reviewing that. We have not yet expended or exhausted the $45 million at this time. As you know, a number of transit properties have not yet submitted their request for funding. They are still studying the matter and preparing their requests.

Senator D'AMATO. Let me ask you this. In terms of the MTA and its operation, they have indicated to me that they find a shortfall in terms of their assuming a Conrail operation of approximately 100 percent.

Now that being the case, I would like for UMTA, in conjunction with FRA, or for UMTA alone to make an analysis of their estimate of the transition costs. If they are in error, this committee would like to be apprised of it. If they are not, then I think it is incumbent upon us to make available those sums so that this transition can take place. Or are we once again going to say, "Well, we are going to get increased productivity by forgetting to pick up our $45 million share, and let the local farebox and the local government units pick it up"? That seems to me to be the alternative.

Now if they are in error, I would like to know. That should not be a difficult thing to ascertain.

Mr. TEELE. It would not be, Mr. Chairman. Again, your request is a fair one. The MTA has not officially submitted that documentation to the Department. We will work with your staff to secure it. As I have indicated, the MTA has not submitted a request at this time for any of

the $45 million, so we are totally unable to determine at this point in time whether or not the $45 million is sufficient.

I think it is fair, as the chairman has indicated, to read into the record, however, that all of the transit authorities have generally agreed that it is not sufficient. And I think it is also fair to indicate Secretary Lewis' response has been that the Department has not ruled out additional funding if it is actually necessary.

Again, Mr. Chairman, we will submit that evaluation of this issue for the record.

[The information follows:]

TRANSITION COSTS

The Department is working with the commuter authorities to determine the transition costs for transfer of commuter rail activites from Conrail to Commuter Services Corp. and local authorities. We will transmit this information to the committee as soon as it is available. We would note that in his testimony before the House Energy and Commerce Subcommittee on Commerce, Transportation, and Tourism, on April 28, 1982, Secretary Lewis stated that there appears to be a need for additional funding in the range of $50 to $80 million. In addition to reviewing the funding required, the Department is also evaluating possible funding sources.

ADVANCED GROUP RAPID TRANSIT

Senator D'AMATO. Senator Andrews has asked that several other questions be put forth in terms of AGRT. In the Fiscal Year 1982 Conference Committee Report, Congress earmarked $8.5 million for the continued development of the advanced group rapid transit. The Department then sent a letter requesting that the funds be obligated in fiscal year 1983, but the obligation would actually cover a 3-year period. In a joint letter from both subcommittee chairmen, it was made clear that Congress did not agree with this.

This subcommittee has two concerns in this regard. One, do you now plan to honor Congress request and actually spend the $8.5 million in fiscal 1982 for work to be done in fiscal 1982, and not to stretch out the use of this appropriation for the future?

Two, the subcommittee is also concerned with your handling of staffing for AGRT and the magnetic levitation programs. Even if you provide the funds, the program does not mean anything unless it is well directed and monitored. It is Senator Andrews' understanding that even with the direction from Congress to continue these programs, that the RIF and reorganization apparently targeted this office. Of the six people who worked on these programs two were RIF'ed; two were involuntarily reassigned to other duties; one was reclassified from a GS-14 to a GS-4 and chose to quit; and as you are aware your remaining AGRT staff person, we are sad to note, died earlier this week.

Now the fact is you then brought in two new people who knew nothing of these programs and added to their responsibilities several other advanced technical programs, which in turn dilutes their ability to come up to speed on the AGRT program.

Mr. Administrator, if funds are kept in for this program, have you not effectively sabotaged these programs by your own staffing deci-

15-453 O - 83 - 24

sions? If there are problems securing positions, the subcommittee could certainly earmark the positions and salaries for you, and maybe we could even suggest some people. What is your intent with regard to this program?

Mr. TEELE. Let me say this, Mr. Chairman, as it relates to our request to the chairman to reprogram, we received a response to that request, and we submit to you, and to the chairman, that we intend to carry out fully the mandate of the Congress as it relates to the $8.5 million in the year fiscal year 1982.

As it relates to the question of staffing, Mr. Chairman, let me assure you that we have adequate staff available and adequate staff dedicated to this project, and that as the Administrator, I will continue to review this project to insure that it does stay on course so long as I am the Administrator.

I am certain that the chairman and this committee are aware of my own personal support and healthy regard for the congressional and constitutional process, and I can assure you that there is nothing in my background that would suggest other than that I would willingly carry out the laws of this Congress, and I would not by subterfuge or sabotage attempt to——

Senator D'AMATO. I think Chairman Andrews is very much concerned in regard to this matter because it would appear—let us use another choice of language—that certainly someone is not getting or is not picking up on the congressional mandate, from both the House and Senate when in terms of expending these funds and undertaking these programs, that we continue to get back that it is the intention to use these funds over a 3-year period rather than in 1982.

Who will, and how do you propose to carry out this congressional mandate in the months that are remaining? And I would ask you, and I am not going to try to put you on the spot at this time, to submit to this committee, to Chairman Andrews in particular, a response within the next week.

Mr. TEELE. You will have that response, Mr. Chairman, but for the record, the associate administrator who is responsible for that will be accountable to me for that project, and I will insure that his management oversight of the personnel is consistent with the instructions of this committee and the intent of this committee.

UMTA REORGANIZATION

Senator D'AMATO. All right. Senator Andrews has also made mention of the reorganization of UMTA, which upon review gives one to believe that there exists certain bothersome points, that the new organization charts show that there has been a dramatic increase in the number of administrative personnel, and a decrease in the number of functional and programmatic workers.

What is the rationale behind the staffing patterns at UMTA with such administrative-oriented people? In short, it now appears that there are 18 percent more chiefs and 17 percent fewer Indians doing the work. How is that justified?

Mr. TEELE. Mr. Chairman, I certainly could not justify those numbers, but again, I do not know what Mr. Andrews or the committee have in mind. I can tell you that the intent of the reorganization was to create a more pure middle approach as it relates to chiefs and Indians. And consistent with that, working our way up at the level directly below the associate administrators, we had some 23 office managers. We have reduced that number in half, or approximately in half, to 16. And I cannot understand where those numbers come from.

[The information follows:]

The UMTA reorganization was prompted by a need to design a headquarters organization structure to reflect the changes in program delivery which had occurred since the 1978–79 UMTA decentralization. It also was intended to respond to a wide range of criticisms regarding UMTA's responsiveness. Although the vast majority of operational line activities had been decentralized to its 10 regional offices, UMTA headquarters had remained virtually unchanged and had not structured itself away from traditional line activities, to that of a more support- and policy-oriented operation. During the period from 1978 until the March 1982 reorganization, UMTA headquarters units frequently duplicated or second-guessed work which, since 1978, had become the principal responsibility of the regions. Also, during this period, UMTA had not readjusted its administrative or program support activities to adequately provide the level of support required by the regions in their new role. UMTA's recent reorganization, therefore, accomplished a twofold purpose: (1) It reduced the number of office directors from 22 to 13, raising the supervisor to subordinate ratio from 1:4.7 to 1:5.3; and (2) it reduced the number of headquarters operational staff, including program support activities—legal, civil rights, public affairs, which more appropriately recognized the need to focus on the cricital administrative support activities within UMTA, that is, financial management, ADP support, correspondence control, et cetera.

In comparing the pre- and post-reorganization staffing figures—attachment one—the most notable increases to our staff units occurred in two major areas where longstanding management problems have plagued the organization.

(1) The Executive Secretariat.—The focus of this organization was enlarged from being merely a correspondence processing unit to include a group of seasoned UMTA analysts drawn principally from the program offices. The new Executive Secretariat is responsible for preparing briefing papers and for expeditiously responding to urgent letters and inquiries. Both of these tasks previously were the individual responsbility of the line or program offices. However, the program offices were overburdened with trying to cope with both developing regional guidance and responding to information requests and briefing papers. The creation of the answer desk, comprised of UMTA staff who formerly were located in the program offices and who performed many of these same duties, enables the Executive Secretariat to provide a quick response capability and provides a more global view of the policies and direction of the UMTA program.

(2) The Office of Financial Management.—The creation of this office has enabled UMTA to concentrate on correcting its historically poor performance in budget control, fiscal accountability, and the maintenance of critical financial records. The addition of 14 positions to the financial management function—over the fiscal year 1981 accounting office level of 20 positions—reflects the hiring of individuals having specialized skills critical to resolving UMTA's financial management problems—financial. In comparing the pre- and post-reorganization staffing figures—attachment one—the most notable increases to our staff units occurred in two major areas where longstanding management problems have plagued the organization—specialists, systems accountants, computer systems analysts, budget analysts, et cetera. In addition, because the establishment of an effective UMTA financial management system has been handicapped by UMTA's poorly designed ADP system, the Office of Financial Management has been charged with assisting in the development of a new automated accounting control system. We expect this system to enable us to avoid future Anti-Deficiency Act violations.

It is anticipated that once a rational accounting system is developed and implemented, staff resources assigned to the Office of Financial Management will be reexamined.

OFFICE OF THE EXECUTIVE SECRETARIAT

Senator D'AMATO. As an example, in the Office of the Executive Secretariat, you went from 5 people to 20. This is our type of concern. We will submit the charts to you and I would suggest that you give the committee a response, again in writing. I do not believe that it would serve any purpose in going back and forth on this, but this is a question in which Chairman Andrews indicates he has interest. It looks like there is a marked increase in that managerial area.

Now maybe it is your way of gaining greater control and you think that you can save funds in this manner. The committee is not saying that that may not be the case, but I think we would like to have some accountability, the rationale for that. We will submit this data to you for your response, as well as the Urban Mass Transportation charts showing the administrative setup in 1981 and in 1982, and you can respond to that. Chairman Andrews has asked that your information be given to the committee.

Mr. TEELE. Yes, sir.

[The information follows:]

Attachment 1

REORGANIZATION STAFFING COMPARISON

Pre-Reorganization on board 3/17/82 1		Difference + or -	Post-Reorganization 3/22/82 Ceiling Auth.	
Management/Admin.				
UOA	9		UOA	9
UES	7		UES	20
UAD	72		UAD	54
			UFM	34
Subtotal	88	(+29)		117
Program Support				
UCC	22		UCC	23
UPA	9		UPA	4
UCR	21		UCR	18
UPP	36		UBP	28
Subtotal	88	(-15)		73
Program (line) Offices				
UPM	62			
UTA	63		UGM	45
UTD	51		URT	91
Subtotal	171	(-35)		136
	-		Administrator's Reserve	(5)
Total HQ	347			331
Regions	185			185
Subtotal	532		Subtotal	516

1/ The 3-17-82 onboard figures represent the most valid comparison with FY 82 ceiling limits since the 3-17-82 figures reflect UMTA's pre-RIF hiring limits.

FULL FUNDING CONTRACTS

Senator D'AMATO. Back to some of my questions: full funding contracts. You have issued a number of full funding contracts, principally for the new rail projects. We have some concerns regarding the provisions of such contracts that are faced by many holders of such contracts across the Nation, including Buffalo, N.Y.

The largest single issue, apparently, is the calculation and the cost resulting from extraordinary inflation or escalation of a project-related costs. There are two concerns: One, the method in which escalation rates are determined; and two, when UMTA will award additional funds, if warranted, to the grantees.

Obviously in terms of Buffalo there is a problem because the cost is fixed to the CPI or the construction index in that local area. If there is no CPI in that local area, we have to come to an acceptable method of determining what that cost is. That is the first question. I would suggest that UMTA and the city of Buffalo get together so that we can get that building cost index—BCI—and have it agreed to as expeditiously as possible.

Second comes the question of once that is agreed to, will UMTA then give an acknowledgement of such funds owed and not withhold

such acknowledgement unduly so that those local administrators can then go out and secure the necessary financing to carry on the project?

Mr. TEELE. Mr. Chairman, regarding the full funding contracts, these are contracts which were issued and negotiated before this administration took office, but we are bound by the terms and the conditions of contracts.

Let me refer your question about the specifics of the Buffalo contract to the chief counsel. Let me say, however, that the problem in Buffalo is very similar to the one in Miami, and Senator Chiles has also expressed his concern in this matter.

Kent, would you discuss how we come to the BCI?

Mr. WOODMAN. In most cases there is a specific BCI index listed in the appendix to the contract. In the Buffalo case it is a little more complicated because that contract provides for the Engineering News Record BCI for the Buffalo area, as agreed upon by the parties. We have been having meetings with Buffalo. They are in the process right now of making some further cost calculations and are supposed to be submitting that data to us, and I think there is general agreement as to what that number is going to be at this point in time.

Senator D'AMATO. One of the things you indicated, and I think it is important that we come up with that BCI as expeditiously as possible, is that a letter would be made available so that funding could be obtained. And that is something that has to be done.

Mr. TEELE. When it is agreed upon, Mr. Chairman, we will issue the necessary documentation for the city of Buffalo to move ahead.

Mr. WOODMAN. It is worth pointing out that there is always the possibility, since that is based on an inflation factor, that the amount can change over the course of the contract. So if you come up with a figure of $25 million at one point in the contract and inflation decreases over the second path of the contract, the actual amount can be less at the end of the term.

So we are trying to come up with a number that is a safe number to state for purposes of them issuing a grant——

Senator D'AMATO. If you wait long enough, they will owe you money.

Mr. WOODMAN. That is possible. But we are working with them on——

Senator D'AMATO. Is that the intent?

Mr. WOODMAN. No; there is no possibility——

Mr. TEELE. There is no possibility of that, Mr. Chairman.

Mr. WOODMAN. There would be a theoretical possibility of going to zero, but not in this contract.

Mr. TEELE. Let me assure you, Mr. Chairman, that is not our intent, and we will——

Senator D'AMATO. I mean if you cannot arrive at this in 24 hours and sit down and work this out, something is wrong. I have negotiated contracts and you know, you do not see these things. This has been going on for weeks and months.

Mr. TEELE. Mr. Chairman, you are right but as a matter of practice, it would be a prediction. As a matter of practice, the only way you can determine the BCI during the phase of that full funding contract is at the end of the contract because we cannot, nor can anyone else, predict the economic trends in this country.

Senator D'AMATO. Of course we have had a certain experience level to date which indicates that this is what it has been. Your projections in the future obviously are going to be projections based upon—my God, if they are based upon how we have come up with our budget projections, God knows what they will be.

But obviously, there is an area in which reasonable people can agree, that there are certain cost overruns, and even if you are going to be conservative in the estimate, I think they are entitled, and all transit authorities are entitled to do that, so that they can move forward in that connection.

[The information follows:]

FULL-FUNDING CONTRACTS

Representatives of the Niagara Frontier Transportation Authority met with the Urban Mass Transportation Administration representatives on May 4 to discuss the issue of the extraordinary inflation costs incurred under the full-funding contract for the Buffalo Light Rail System. Under the terms of the Buffalo full-funding contract, extraordinary inflation is measured by an Engineering News Record Building Cost Index for the Buffalo region, as agreed upon by the parties. The BCI measures inflation by using four specific factors—labor, concrete, steel, and lumber—and assigning a particular weight to each factor. NFTA is arguing that the Engineering News Record BCI is not appropriate in this case, and that they should be able to devise a local index based upon local factors reflective of their actual construction experience. UMTA agreed to notify Buffalo of its decision in this regard by May 20 and will inform the committee of that decision. This BCI issue needs to be resolved before Buffalo can move forward with the possibility of issuing grant anticipation notes.

LETTERS OF NO PREJUDICE

Senator D'AMATO. It appears to us that UMTA is taking quite a bit of time in dealing with something that is of great importance—letters of no prejudice. This is where a local government will undertake a project and seek to receive from UMTA the verification and the letter that indeed, these moneys would qualify for matching funds in another undertaking. I would like you to address the review time factor and explain why the Department cannot make a clear determination on the merits of these requests within, let us say, a maximum period of time of 30 days.

Mr. TEELE. Mr. Chairman, the current status of letters of no prejudice is that the Department of Transportation has submitted to the Congress our intention not to issue any letters of no prejudice, and this goes back to, I believe, June of last year, until a letter-of-no-prejudice policy has been adopted.

It is our policy and we affirm the policy at this time, that we will not issue any letters of no prejudice in any category until a comprehensive policy has been adopted.

We have made exceptions to this rule, and that is the state of the affairs as it relates to letters of no prejudice at this time, Mr. Chairman.

Senator D'AMATO. So what you are saying, in effect, is that we are going to have all full-funding contracts. Is that correct?

Mr. TEELE. No; Mr. Chairman. Letters of no prejudice could be covered under full-funding contracts, but that would be a very, very narrow class. There is a much broader class of applicability of letters of no prejudice, which involve things like the purchase of buses just to cover a hiatus or gap in funding, or any number of other activities: letters of no prejudice in emergency situations, letters of no prejudice in anticipation of a grant, letters of no prejudice for all sorts of special projects.

The point, Mr. Chairman, is that we believe that in the past, letters of no prejudice have been issued without a rational policy developed in consultation with the legislative branch. We have decided to defer administratively the issuance of any letters of no prejudice.

Mr. Chairman, we have been very reasonable in our approach in this, and we have issued letters of no prejudice on a case-by-case basis, and we have issued them consistent with the——

Senator D'AMATO. When you get that policy, we would like to see what it is.

Mr. TEELE. Yes, sir, Mr. Chairman. We have submitted that to the committee for comment.

LETTERS OF INTENT

Senator D'AMATO. With regard to letters of intent, we believe that letters of intent combined with full-funding contracts or explicit memorandums of understanding are an effective means to establish a Federal-local partnership in developing significant capital-intensive projects.

Your budget submission for fiscal 1983, when coupled with your legislative proposals, establishes a discretionary program of $156 million. Your letter-of-intent commitments for 1983 total $119 million. Should I conclude from that that you are not proposing a sizeable discretionary program in terms of funds actually available to meet extraordinary projects or needs, as a result of committing $119 million out of the available $156 million?

Mr. TEELE. Yes, Mr. Chairman, that is correct.

DISCRETIONARY GRANT PROGRAM

Senator D'AMATO. That is correct? Well, that does not leave too much money for discretionary projects in the whole of the United States to meet the extraordinary project needs. I would also point out that if that is correct, we take $156 and $120—that will leave $35 million left. Is that correct?

Mr. TEELE. Mr. Chairman, the $156 million is based on what figure again?

Senator D'AMATO. Your fiscal year 1983 legislative proposal establishes a discretionary program of $156.1 million.

Mr. TEELE. Mr. Chairman, I think you are reading in the current authorization language rather than the proposed authorization language.

Senator D'AMATO. If you take 10 percent of your capital program you come up with $1.56 million because your discretionary funding level is $1.56 billion; is that correct?

Mr. TEELE. Yes; Mr. Chairman, our discretionary program is 10 percent of the total capital funding level. However, as I stated in my statement to you today and in the prepared text, our budget assumptions before you today do not superimpose our proposed authorization language. Rather, we would stay with the current authorization language for purposes of our budget submission. We are not reading in the 10 percent under the proposed authorization language.

Senator D'AMATO. Well, what are you proposing, then, in that discretionary area? What will the dollars be?

Mr. TEELE. For 1983?

Senator D'AMATO. Yes.

Mr. TEELE. In what area, Mr. Chairman? We would be proposing in the area——

Senator D'AMATO. Discretionary programs.

Mr. TEELE. Discretionary programs would be a total of $1.56 billion, Mr. Chairman. The confusion I think, Mr. Chairman, is that you have taken our $1.5 billion, translated that to the proposed formula program.

Senator D'AMATO. Yes, 10 percent, sure.

Mr. TEELE. Yes, sir.

Senator D'AMATO. Well is it not reasonable to believe that that is going to be 10 percent again this year?

Mr. TEELE. No; Mr. Chairman, because it is not 10 percent. Our entire current authorization and our entire appropriations is based upon a discretionary rather than a formula approach. So you get the 10 percent because under the proposed formula grant approach we are, in fact, giving up our discretion on the $1.5 billion and coming back to $186 million for discretionary. But in fact, under the current budget proposal before this committee, we are proposing——

Senator D'AMATO. Let us go through it again. You have $1.5 billion for section 3, right?

Mr. TEELE. Yes, Mr. Chairman.

Senator D'AMATO. Now traditionally you have kept for discretionary programs within that capital program, 10 percent for discretionary use; is that correct?

Mr. TEELE. No; Mr. Chairman. Mr. Chairman——

Senator D'AMATO. That is what the new legislation says; is that not correct?

Mr. TEELE. That is what our legislation proposes, Mr. Chairman.

Senator D'AMATO. Yes; that is what your legislation proposes. Your legislation proposes that you are going to take 10 percent of all section 3 funds. That comes to $156.1 million.

Mr. TEELE. But Mr. Chairman, as I have indicated to you in my testimony, we are not superimposing our authorization proposal over the appropriations process, but we are assuming the current authorization process for the purpose of the fiscal year 1983 budget.

Senator D'AMATO. Well, if this goes into law, what takes place? If we adopt your proposal, what takes place?

Mr. TEELE. Then we would obviously resubmit our——

Senator D'AMATO. Well, I want to hear that.

Mr. TEELE. We would resubmit our current appropriations proposal, to conform with the legislative mandates of the authorization process. I think it is just premature, Mr. Chairman. There are some very astute and august members of the authorizing committee that have proposed for example, 24.5 percent discretionary. So we just——

Senator D'AMATO. Yes; you are right. And I agree with all those analyses about them being astute. Well put. [Laughter.]

Mr. TEELE. I think we have to argue from——

Senator D'AMATO. Let me just tell you something, what will happen if this incredible submission, from the point of a practical matter, takes place. Now we are getting down to the bottom line. If the administration's proposal takes place, you are going to have $156.1 million, if it is adopted, of discretionary funding. We have already obligated $120 million. Therefore, there is only for the entire United States of America and its transit systems $35 million available for transit.

And I might call to your attention that just a short time before, you indicated that there would be a shift of some $30 odd million to make up section 18 funds. So what we have is zero money available for discretionary funding. And I am suggesting to you that that might inure to the benefit of those who are putting this forth to recalculate and rethink this proposal.

Mr. TEELE. Mr. Chairman, you have me at a distinct disadvantage. You are now arguing the merits of all of——

Senator D'AMATO. No; it is just one section. And I am just suggesting to you that supposing this august body adopted the enlightened budget proposal put forth. We adopt it. Now would that not be wonderful if we adopted the legislative language? In regard to section 3 and in regard to the discretionary funding, there would not be 1 penny left for any discretionary funds for any of the transit systems. Now that is a fact; is it not?

You say, "No." Why do you say, "No"?

Mr. TEELE. Mr. Chairman, let me submit to you——

Senator D'AMATO. Well, you shake your head. You say, "No.". And if you disagree, I would like to know why.

Mr. TEELE. Mr. Chairman, let me submit to you that if our language does not include this in our authorization process, then we will insure that it does. We would fund all letters of intent out of the section 9 formula approach, and thereby keep the discretionary at the $186 million.

Would that be satisfactory to the chairman?

Senator D'AMATO. I would have to review that because you now have me at a distinct disadvantage, in not having looked at section 9 and how much money is there.

Mr. TEELE. We would take the entire $118 million of full-funding contracts and take it out of the formula section 9, and therefore keep the $186 million or the 10 percent whole.

Senator D'AMATO. I think that that certainly is an improvement over the proposal that would leave no discretionary funding, and I commend to everyone's attention the adroitness of the Administrator to deal with these problems in such a manner.

LIFE-CYCLE COSTING; BENCHMARK PRICING

We have an interesting situation taking place in regard to life-cycle costing. I understand that the subcommittee has been briefed on your newly proposed life-cycle costing proposal. I commend UMTA for following the direction provided by Congress and would like you to detail the content of your proposal for the record.

[The information follows:]

UMTA is providing for the record two documents: the presentation made to the Committee staff on the simplified procedure developed and circulated for comment by UMTA, and a copy of the procedure itself.

CONGRESSIONAL DIRECTION

"PROVIDED, that grants awarded for contracts for the acquisition of rolling stock, including buses, which result in the expenditure of Federal financial assistance, shall only be awarded after an evaluation of performance, standardization, life-cycle costs, and other factors the Secretary may deem relevant, in addition to the consideration of initial capital costs. Where necessary, the Secretary shall assist grantees in making such evaluations."

ELEMENTS OF LIFE-CYCLE COSTING

- initial cost of purchase
- operating cost
- maintenance cost
- parts and support facilities
- life of equipment
- time over which calculation performed
- salvage value
- cost of money

VARIABLES

- equipment differences between suppliers
- equipment differences between purchasers
- equipment utilization
  - climate
  - terrain
  - service
  - intensity
- labor costs
- fuel costs
- maintenance capability
- storage
- patrons

DATA

- new equipment: no history; manufacturers' claims only
- site specific data variation (operations, maintenance, life)
- availability of local data on previous experience
- value to be placed upon specific features

SIMPLIFIED TECHNIQUE

- limited operator/purchaser data requirements
  - labor rates
  - fuel costs
  - expected life
  - expected mileage per year
- restricted manufacturer data requirements
  - initial cost
  - bus life
  - fuel efficiency
  - maintenance requirements
    - frequency
    - time
    - parts
- cookbook format
- major factors contributing to cost

TECHNIQUE ELEMENTS

- acquisition cost
- fuel efficiency
- transmission repair
- brake repair
- air conditioning and ventilation repair
- preventive maintenance
- lifetime adjustment factor

- AMS procedure
  - Providence
  - Phoenix
- Bus Technology Liaison Board (APTA)
- internal UMTA circulation
- external comment/review
- availability for optional use

SIMPLIFIED LIFE CYCLE COSTING PROCEDURE

Life Cycle Costing (LCC) permits a transit operator to procure rolling stock by considering important costs other than the lowest acquisition cost. While the acquisition cost, or purchase price, is relevant, the operating and maintenance costs for the life of the rolling stock are also extremely important. This document presents a simplified LCC procedure for buses that considers several important operating costs, referred to as cost drivers, that heavily influence the total costs to own and operate the bus throughout its useful life. A worksheet to calculate the life cycle cost of a bus is included. (Attachment 1)

There are many acceptable LCC procedures that can be used to conduct a LCC procurement. This document lists but one possible, and very simplified, method. Purchasers with substantial technical skills and extensive data bases may wish to use more complex procedures. A basic guideline to LCC procedures may be found in an UMTA report entitled, Life Cycle Cost Procurement of Advanced Design Buses at Providence, Rhode Island, and Phoenix, Arizona (Advanced Management Systems, Inc., dated October 31, 1981).

The Cost Drivers

This simplified LCC procedure uses seven cost drivers which many operators report as significant. Attachment 2 lists a more extensive set of cost drivers which could be used in an LCC procedure. The cost drivers used in this procedure are:

(a) Bus LCC lifetime adjustment factor
(b) Acquisition cost per bus
(c) Fuel costs for the lifetime of that bus
(d) Transmission repair costs for the lifetime of that bus
(e) Brake repair costs for the lifetime of that bus
(f) Air conditioning and ventilation repair costs for the life of the bus
(g) Preventive maintenance costs for the life of the bus

By calculating the costs which would be incurred for each cost driver over the entire life of the bus and adding up the results, the life cycle costs can be determined. This is done for each competing bus in the procurement. From this, the bus with the lowest overall life cycle cost can be determined. Data is required for calculating the cost drivers. The data can be obtained from the bus manufacturers and transit operator records, as shown on page 3. The purchaser is responsible for determining the correctness or reasonableness of all data. For the procedure to work correctly, the data for all buses must be comparable and in the same terms.

Cost Driver Elements

The above listed cost drivers are comprised of various elements. All of the elements are not considered in this simplified LCC procedure, only those which transit operators have reported to be significant. If the purchaser believes that other elements are significant, it is encouraged to use them.

The bus LCC lifetime adjustment factor adjusts the LCC calculation so the number of miles the manufacturer states his product will last is considered. The cost driver element for the acquisition cost is the purchase price of the vehicle itself. The cost driver elements for the fuel costs are the estimated miles per gallon of fuel that the bus is expected to average and the cost per gallon of fuel which the operator will pay. The cost driver elements used in this simplified LCC procedure for transmission repair costs, brake repair costs, and air conditioning and ventilation repair costs include the number of miles between repair actions, the number of hours required for each repair action (including removal and re-installation, performing the work, and testing), the hourly labor rate for the skill level required, and the material (parts) costs. The cost elements for the preventive maintenance (PM) costs requires information on the number of PM actions recommended by the manufacturer for the life of the bus, the labor hours for each PM action, the hourly labor rate for the work involved, and the cost of the materials (parts) required for each PM.

LCC Calculation

The formula for calculating the LCC for a procurement using this procedure is:

(1) Unadjusted Life Cycle Cost = Acquisition cost (b) + Lifetime operating costs of (c) + Lifetime operating costs of (d) + Lifetime operating costs of (e) + Lifetime operating costs of (f) + Lifetime operating costs of (g).

(2) Adjusted bus lifecycle costs = Unadjusted LCC x Bus LCC lifetime adjustment factor.

ata Sources

The data required for the calculation can be obtained from the manufacturer or from transit operator's records.

The following data are requested from the manufacturer:

- o the bus acquisition cost
- o the estimated life of the bus in miles for the purchaser's location
- o the estimated miles per gallon of fuel the bus can be expected to average
- o the estimated number of miles between transmission overhauls
- o the number of labor hours required to remove and re-install the transmission
- o the number of labor hours required to dismantle, overhaul and test the transmission
- o the cost of the materials (parts) required to overhaul the transmission
- o the estimated number of miles between brake repairs using old drums
- o the estimated number of miles between brake repairs installing new drums
- o the cost of materials (parts) required to repair brakes using old drums
- o the cost of materials (parts) required to repair brakes installing new drums
- o the estimated number of hours between A/C compressor overhaul
- o the estimated number of hours required to rebuild the A/C compressor
- o the cost of materials (parts) required to rebuild the A/C compressor
- o the estimated number of miles between A/C blower motor overhaul
- o the number of labor hours required to remove and re-install the A/C blower motor
- o the number of labor hours required to rebuild the A/C blower motor
- o the estimated number of miles between A/C condenser motor overhaul
- o the number of labor hours required to remove and re-install the A/C condenser motor
- o the number of labor hours required to rebuild the A/C condenser motor
- o the schedule of preventive maintenance actions in miles
- o the number of preventive maintenance actions for the life of the bus
- o the number of labor hours required to perform each preventive maintenance action
- o the cost of materials (parts) required for each preventive maintenance action.

The following data are drawn from transit operator's records:

- o the cost of fuel per gallon
- o the hourly labor rate for the personnel needed to perform the various repairs and preventive maintenance actions
- o the number of years the operator plans to keep the bus
- o the number of miles the bus will be operated per year (average utilization rate)

Attachment 1

LCC CALCULATION WORKSHEET

. Bus LCC lifetime adjustment factor calculation:

(1) _____ (# years intending to keep bus) x _____ (# mi./yr. average utilization of buses in fleet) = _____ (# miles for bus LCC lifetime)

(2) _____ (# miles for bus LCC lifetime) ÷ _____ (Mfg. est. of bus life in miles) = [ ] (Bus LCC lifetime factor)

b. Acquisition cost per bus: . . . . . [ ]

c. Fuel Cost:

(1) (estimated bus life in miles) ÷ (estimated MPG) = (# of gallons for bus lifetime)

(2) (# of gallons for bus lifetime) X (fuel cost per gallon) = ... [ ]

(Fuel LCC)

d. Transmission repair cost:

(1) (estimated bus life in miles) ÷ (estimated miles between overhauls) = (# of overhauls per bus life)

(2) Overhaul cost:

Maintenance event	estimated hours labor		labor rate		material cost		cost per event	
Remove and re-install transmission	_____	x	_____	+	_____	=	_____	(event A)
Dismantle, overhaul and test	_____	x	_____	+	_____	=	_____	(event B)

(3) (event A) + (event B) = (cost per overhaul)

(4) (cost per overhaul) X (# of overhauls per bus life) = ... [ ]

(transmission overhaul LCC)

e. Brake repair cost:

(1) (estimated bus life in miles) ÷ (estimated miles between relines/ turning old drums) = (# of relines per bus life using old drums)

(2) (estimated bus life in miles) ÷ (estimated miles between relines/ installing new drums) = (# of relines per bus life using new drums)

(3) Reline Costs:

Maintenance event	est. hours of labor		labor rate		material costs		# of relines for bus life		Reline costs	
Reline/turn drums	_____	x	_____	+	_____	x	_____	=	_____	(event A)
Reline/install new drums	_____	x	_____	+	_____	x	_____	=	_____	(event B)

(4) (event A) + (event B) = ... [ ]

Brake Reline LCC

Air Conditioning and ventilation repair cost

(1) A/C Compressor

(A) (estimated bus life in miles) ÷ (estimated miles between A/C compressor overhaul) = # of A/C compressor overhauls for life of bus

(B) A/C Compressor Overhaul Cost:

Maintenance event	est. hours	labor rate	labor cost	materials cost	cost per event
Remove and Re-install A/C Compressor	____ x	____ =	____ +	____	= ____ (event A)
Rebuild Compressor	____ x	____ =	____ +	____	= ____ (event B)

(C) _____ (event A) ÷ _____ (event B) = _____ (cost per event)

(D) _____ (# of A/C compressor overhauls for life of bus) x _____ (cost per event) = _____ A/C compressor LCC

') A/C blower

(A) _____ (estimated bus life in miles) ÷ _____ (estimated miles between A/C blower motor overhaul) = _____ # of A/C blower overhauls for life of bus

(B) A/C Blower overhaul cost:

Maintenance Event	est hours	labor rate	labor cost	materials cost	cost per event
Remove and replace A/C blower	____ x	____ =	____ +	____	= ____ (event A)
Rebuild blower motor	____ x	____ =	____ +	____	= ____ (event B)

(C) _____ (event A) + _____ (event B) = _____ (cost per event)

(D) _____ (# of A/C blower overhauls for life of bus) x _____ (cost per event) = _____ A/C blower LCC

) A/C Condenser Motor

(A) _____ (estimated bus life in miles) ÷ _____ (estimated miles between A/C condenser motor overhauls) = _____ (# of A/C condenser motor overhauls per life of bus)

(B) A/C Condenser motor overhaul cost:

Maintenance event	est. hours	labor rate	labor cost	materials cost	cost per event
Remove and replace condenser motor	____ x	____ =	____ +	____	= ____ (event A)
Rebuild condenser motor	____ x	____ =	____ +	____	= ____ (event B)

(C) _____ (event A) + _____ (event B) = _____ (cost per event)

(D) _____ (# of A/C condenser motor overhauls per life of bus) x _____ (cost per event) = _____ A/C Condenser motor motor overhaul LCC

(4) Air Conditioning and Ventilation cost computation:

(A/C Compressor LCC)	+	(A/C Blower Motor LCC)	+	(A/C Condenser Motor LCC)	=	(A/C and ventilation LCC)

g. Preventive Maintenance Cost

(1) Preventive maintenance (PM) schedules are specified by the manufacturer. They are generally stated as a list of actions to be performed at periodic intervals (e.g., 6,000 mile PM, 12,000 mile PM, 18,000 mile PM, etc.). For each PM interval, the purchaser calculates the cost of performing that type of PM.

(A) Manufacturer's First Specified PM: _____

(# labor hours for this PM)	x	(hourly labor rate)	=	(labor cost per PM)	+ (materials cost)	= (cost per PM)	x (# of PM's of this interval for bus life)	= (PM total cost for bus life for this interval)

(B) Manufacturer's Second Specified PM: _____

(# labor hours for this PM)	x	(hourly labor rate)	=	(labor cost per PM)	+ (materials cost)	= (cost per PM)	x (# of PM's of this interval for bus life)	= (PM total cost for bus life for this interval)

(C) Manufacturer's Third Specified PM: _____

(# labor hours for this PM)	x	(hourly labor rate)	=	(labor cost per PM)	+ (materials cost)	= (cost per PM)	x (# of PM's of this interval for bus life)	= (PM total cost for bus life for this interval)

(D) Etc. for Each Other Manufacturer Specified PM:

(2) To determine the PM cost for the life of the bus, each of the "PM total costs for bus life for this interval" must be added together, as shown below:

Cost of Manufacturer's First Specified PM	+	Cost of Manufacturer's Second Specified PM	+	Cost of Manufacturer's Third Specified PM	+	
Cost of Each Other PM Specified by Manufacturer				. . . . .	=	Preventive Maintenance LCC

Calculation of Bus LCC:

(1) Unadjusted LCC computation:

Acquisition cost (from item b)	+	Fuel cost (from item c)	+	Transmission cost (from item d)	+

	+		+	=
(Brake cost from item e)		(Air conditioning and ventilation cost from item f)		(Preventative maintenance cost from item g)	Unadjusted bus LCC

(2) Adjusted LCC calculation:

	x		=	
Unadjusted bus lifetime LCC		Bus LCC lifetime factor from item (a)		Adjusted Bus Life Cycle Cost

ttachment 2 LCC Cost Factors

BODY
- Shell
  - Ext. & Applied Panels
  - Finish
  - Skirt Aprons
  - Floors
  - Steps & Stepwells
  - Wheel Housing
  - Passenger Doors
  - Service Compart. Serv. Doors
- Operating Components
  - Door Actuators
  - Windshield Wipe./Washer
  - Light Control & Instruments
  - Fare Box
  - Loading System
  - Signals
- Interior
  - Mirror
  - Passenger Seats
  - Driver Seats
  - Floor Covering
  - Panels & Bulkheads
  - Access Doors
  - Stanchions & Handrails
- Windows
  - Driver's Windows
  - Side Windows

CHASSIS
- Propulsion System
  - Engine
  - Cooling System
  - Transmission
  - Engine Accessories
  - Hydraulic Drive
- Final Drive
  - Rear Axle
  - Drive Shaft
- Suspension
  - Springs & Shocks
  - Front Axle
  - Kneeling
- Steering
- Brakes
  - Hubs & Drums
  - Air System
  - Friction Material
- General Chassis
  - Wheels
  - Fuel System
  - Bumper System
  - Frame
  - Electrical System
  - Electrical Components
- Climate Control
  - Heating
  - Air Conditioning
  - Ventilation
- Radio & Public Address System
  - Mobile Radio System
  - Public Address System

ROAD CALLS

PREVENTIVE MAINTENANCE
- Oil Change
- Tuneup
- Inspections
- Lubrications
- Cleaning & Washing

OPERATING FACTORS
- Fuel
- Tires
- Oil

LIFE-CYCLE COSTING ELIMINATION

Senator D'AMATO. The question is, in your promotion of benchmark pricing in your newly proposed legislation, are you also proposing the elimination of life-cycle costing?

Mr. TEELE. Yes, Mr. Chairman.

Senator D'AMATO. You are? You are calling for the elimination of life cycle costing?

Mr. TEELE. We would call for the exemption of life-cycle costing along with OMB circular A–102 and virtually every other regulation that currently governs procurement, and we would allow that procurement to be handled under State and local law. Mr. Chairman, this is something that——

Senator D'AMATO. Does that include buy America also?

Mr. TEELE. It would, as proposed, include buy America, Mr. Chairman.

Senator D'AMATO. Oh, boy, the Japanese are really going to go wild now.

Mr. TEELE. But it would, Mr. Chairman——

Senator D'AMATO. Is there not something inherently conflicting in this, where the Government sets the benchmark price for a bus and determines what a bus is, for a car and determines what it is? Does this not conflict with your stated purpose and goal, to get out of this area? Does it not lead things to an incredibly horrendous situation where there can be all kinds of chicanery?

Mr. TEELE. Yes and no, Mr. Chairman. It would at first blush appear as a conflict in our desire to get the Government out of determining what is a bus and what the cost is, but we would propose to publish merely the average cost of buses during the preceding quarter as the benchmark price. So in effect, we would not be determining it; the marketplace would be determining it. That would be very, very important to this concept.

Senator D'AMATO. You would take the average price of buses selling during the preceding quarter, say this is the benchmark price?

Mr. TEELE. This is the benchmark price.

Senator D'AMATO. So any municipality can go out and buy and say this is the accepted cost of a bus?

Mr. TEELE. That is right.

Senator D'AMATO. And we are paying it and we are going to buy this bus at this price?

Mr. TEELE. That is right, Mr. Chairman.

Senator D'AMATO. Well, I want to tell you something. I have been in local government for a number of years, and if you allow that situation to open up, you are going to have more scandalous situations. You will have a lack of productivity. You will have buses that make the Grumman, with all of their problems, look sainted. That is incredible. That is absolutely incredible, with no regard to how long that bus will stand up, the operating cost, et cetera. I think that Chairman Andrews is absolutely correct when he talks about life-cycle costing. It is a total departure from efficiency and productivity. It breaks every rule and regulation.

And besides that, it intrudes on local government operation, and I am appalled by it. It will result, I believe, in a serious diminution in what UMTA is attempting to accomplish. You can forget all the training schools, pack them up, when you talk about loss of productivity and what takes place in benchmark pricing.

Mr. TEELE. Mr. Chairman, there is one point that should be made. What we are trying to do is eliminate the Federal Government's oversight as in the white book—offsets, et cetera, et cetera. The language contains the requirement that the local transit authority certify that it has a competitive procurement process.

Every city in the country buys fire equipment; they buy police equipment, cars and all sorts of rolling stock. And I think it is a bit presumptuous for UMTA to assume that our staff people have more expertise in procurement and that we would insure that the process would be more honest and forthright than that of a State law. It is, in fact, not a waiver of the State and local procedures and the competitive process, and I know that the 50 States all have a competitive process by which procurements are handled.

Senator D'AMATO. I am going to ask you to elaborate on this concept in terms of how it will function, who will determine the factors with regard to a benchmark price for any bus which will be established, as you have indicated on a quarterly basis.

Mr. TEELE. We will be happy to.

Senator D'AMATO. How will the factors be selected? How does this concept square with the block-grant program and the administration's emphasis on local discretion. It would seem that at least for block-grant proposals of the administration or any block-grant proposal of anyone else, including mine, that this represents unwarranted Federal intrusion into local decisionmaking.

Another section of the Administrator's proposal already provides for a streamlined procurement process, and it seems that to exempt a procurement from all Federal requirements, as provided in the administration's section 8 is to invite exclusionary procurement practices. Unless we write a specification for a benchmark bus that is so tightly defined as to preclude exclusionary practices either way, it seems to me that we have contradicting provisions in the administration's proposal.

So I would like you to respond to that in writing, and I think it is an important issue. I am not prepared on the legislation side on the Banking Committee to support that benchmark legislation unless there is a lot more explanation and care that goes to deal with some of the issues that have been raised by Chairman Andrews and myself.

Mr. TEELE. We will respond, Mr. Chairman, and I would hasten to add for the record that I think the particular point of the exclusionary concern is germane and has great merit, and we will work to rationalize that point.

[The information follows:]

BENCHMARK PRICING

Section 8 of DOT bill adds a new section 12(b)(3) to the UMT Act authorizing the Secretary of Transportation to establish a benchmark price which would set the maximum amount of Federal participation in the acquisition of buses by UMTA grantees. The establishment of this price would provide grantees with an alternative means of procuring buses with Federal funds. This provision does not mandate that any transit authority utilize the benchmark pricing method in procuring buses—it simply establishes a new system that is available at the election of the grantee.

If a transit authority elects to use benchmark pricing, it must still certify to the Secretary that it has a competitive procurement system. Once this election and certification occur, then the transit authority can buy buses with Federal funds without being bound by Federal procurement requirements such as OMB circular A-102 and life-cycle costing. This does not mean that a grantee would be precluded from using life-cycle costing; but only that life-cycle costing would not be a federally imposed requirement.

The setting of a benchmark price by the Secretary does not mean that DOT will be designing a benchmark bus, with federally designated components, and then administratively determining the price of that bus. We see the benchmark price as being simply a reflection of bus market prices during the immediately preceding time period. For example, if the Secretary decides to specify the benchmark price for a particular type of bus at the beginning of the fiscal year, DOT could compile a listing of all the sales of that type of bus during the preceding quarter or half year and ascertain the average sales price. The Federal contribution would then be set at 75 percent of that average price. If there has been a time lag due to slow sales movement of particular types of buses, it might be necessary to apply some type of indexed inflator or deflator to the average sales price. Finally, since there are several types of buses in operation today—that is, advanced design buses, new looks, articulated buses, et cetera, the Secretary would probably establish a benchmark price for each particular type of bus.

Thus, the only factor that we envision being involved in setting the benchmark price is the average sales price for a particular type of bus during a particular period. That factor would be determined by the market.

SAFE HARBOR LEASING

Senator D'AMATO. Mr. Teele, it is the committee's responsibility to build a record from which decisions can be made. In that vein I have several questions regarding safe harbor leasing which I will submit for the record.

However, I would like to ask you now your general assessment of safe harbor leasing and how it is working, how you perceive it to be working.

Mr. TEELE. Mr. Chairman, UMTA has authorized safe harbor leasing transactions for over a dozen transit authorities, involving some 2,000 buses and rail vehicles, and we will provide a list of them for the record.

[The information follows:]

SAFE HARBOR LEASING

There were 14 transactions involving the local share of UMTA-funded equipment placed in service in 1981 which yielded the following proceeds to the transit authorities:

New Jersey Transit.—244 buses, 6 locomotives, 26 rail cars; $1,906,000.

Massachusetts Bay Transportation Authority.—100 rail cars; $2,751,766.34.

Southeastern Pennsylvania Transportation Authority.—65 light rail vehicles; $1,375,000.

Southern California Rapid Transit District.—770 buses; $3,872,000.
Cincinnati.—87 buses; $252,000.
Worcester Regional Transit Authority.—19 buses; $37,779.
Rhode Island Public Transit Authority.—34 buses; $61,887.46.
New York City DOT.—1 ferryboat; approximately $600,000.
Bi-State Development Agency (St. Louis, MO).—156 buses; $591,772.
AC Transit (Oakland, CA).—151 buses; $718,217.
TARC (Louisville, KY).—77 buses; $305,854.
Tucson, AZ.—19 buses; $63,000.
Santa Clara, CA.—251 buses (218 new, 33 rehabilitated); $1,130,203.89.
Houston, TX MTA.—95 rehabilitated buses; $1,300,000.

We are aware of two leasing transactions not involving UMTA funds. The first transaction is the lease entered into by the New York City Metropolitan Transit Authority. That lease involved 12 rail cars and approximately 620 buses, for a total of $102 million. According to the MTA, the MTA received approximately $15.5 million in consideration of its tax benefits, of which approximately $1.4 million went to the broker and to counsel.

The second transaction is the lease entered into by the Houston MTA. That lease involved 195 buses—130 new buses, 65 rehabilitated buses. Houston will receive an estimated $1 million for the transaction. We should note that Houston has received a letter of no prejudice for these buses. If at a future date UMTA issues a grant for these buses, then the transaction should be counted among the safe harbor leasing transactions involving UMTA-funded equipment.

STRONG SUCCESS IN TRANSIT COMMUNITY

Mr. TEELE. The responsibility for actual evaluation of the safe harbor leasing provision is vested in the Department of Treasury, but I think it is fair to say at this point that consistent with the studies that have been done and the surveys that we have conducted, that the safe harbor leasing provision does appear to be a very strong success in the transit community, and I would note for the record and submit to the record an article that appears in today's Washington Post entitled "Giving City Transit a Break" by New York MTA Chairman Richard Ravitch. According to his estimates, safe harbor leasing has reduced the cost of rail passenger cars some 25 percent, and, in fact, has reduced the cost of buses some 15 percent, thereby providing these savings to be available for reinvestment in like and similar transit improvement.

The Department of Transportation would submit to this committee that we support the safe harbor leasing as it relates to the transit vehicles, and that we think that it has been a success and one of the success stories of this administration's response to the ever-pressing capital need of transit authorities in this country.

[The information follows:]

[The Washington Post, Apr. 23, 1982]

GIVING CITY TRANSIT A BREAK

(By Richard Ravitch)

Last year, as the administration began phasing down Federal assistance to urban public transportation, Congress gave transit a major financial boost by providing for the first time equal tax treatment of public and private transportation.

Congress acted after the public transit industry brought to its attention the fact that fiscally strapped airlines and private railroads could reduce their cost of purchasing new capital equipment through use of a mechanism known as leverage leasing. This financing device permitted profitable corporations to own transportation equipment,

gain the advantage of the investment tax credit and depreciation, and lease the equipment to private transportation operators who would share in the owner's tax savings. Because the investment tax credit has never been available for property used by the public sector, on the theory that the Government's demand for capital goods is inelastic, this common and highly useful tax leasing vehicle was not available to public transportation agencies.

The theory behind the denial of the investment tax credit was demonstrably false in the case of public transit—which has projected capital needs of over $50 billion in the next decade. So Congress redressed part of this longstanding inequity by permitting public transit to gain the advantage of the new accelerated depreciation schedules (ACRS), and did so by grafting a public transit amendment onto a little-noticed leasing provision authorized by the new law to assist undercapitalized industries. The investment tax credit was still not permitted. But the new ACRS deductions gave public transit an economic benefit roughly equivalent to what it had sought—about a 25-percent reduction in the cost of rail passenger cars and a 15-percent reduction in the cost of buses. These savings would be reinvested by the transit industry in additional capital improvements.

Unfortunately for public transit, the little-noticed new device was known for safe harbor leasing, and the overall provision—of which transit is a relatively insignificant part—has become the whipping boy for all that is now argued to be wrong with the 1981 Economic Recovery Tax Act.

The number of bills that have been introduced in the Congress to entirely repeal or modify safe harbor leasing have reached floodgate proportions; most notably Senate Finance Committee Chairman Robert Dole has recommended a total repeal retroactive to February 19, 1982.

The problem for public transit in this legislative scenario is that total repeal will send private transportation back to the old conventional lease financing techniques permitted before 1981 and still available. While a less efficient means to assist capital-starved industries, this device will nonetheless soften the blow to industries that have made capital spending decisions relying on the availability of safe harbor leasing.

But for public transit, which gained access to safe harbor leasing only because Congress was seeking a legislative vehicle to provide parity for the public sector in lease financing opportunity, repeal would mean a total loss of desperately needed benefits.

Repeal now would strike at the heart of the New York MTA's unprecedented efforts to rebuild its aging regional public transportation infrastructure. After approval of the tax law last summer, MTA put in motion a 5-year, $7.9 billion capital spending program—mostly funded with local resources—designed to restore the system to a state of good repair and reliable operation. About $500 million was projected to be available from lease benefits, so repeal would force MTA to reformulate its program and cut back substantially on equipment acquisition orders.

Repeal would also dash the hopes of the 14 other cities whose transit agencies have already benefited from the new law, and the dozens of others that plan to take advantage this year.

The Federal transit assistance program is properly criticized for doing little to reward those cities that provide local funds in excess of what is required to match Federal grants. Transit leasing, however, is the first and only Federal transit subsidy that benefits cities in direct proportion to local investment in capital equipment, because tax lease benefits are only available in conjunction with the expenditure of local moneys. For this reason the General Accounting Office has already commented favorably on the new provision, arguing that the Federal Government gets a bigger bang for its buck than through the direct grant process.

It would be strange irony, indeed, if in Congress' haste to repeal safe harbor leasing as a result of perceived private sector abuses, it destroyed a very positive and necessary step it had taken to help that transportation service that is most critical to the economic well-being of our Nation's largest cities.

Senator D'AMATO. In 1979 UMTA violated the Anti-Deficiency Act, as testified to by Secretary Lewis on January 8, 1982. Of course, you had no control over that, but my concern at this point is as to what has taken place in regard to remedying that deficiency.

Mr. TEELE. Well, in 1979 the violation of the act consisted of a failure to record obligations which had been incurred prior to the end of that fiscal year, and recording of such obligations in effect would have exceeded the authority of funds that had been appropriated by the Congress.

Because the violation of the act was actually a bookkeeping difficulty with the conversion of the UMTA administrative account from a cash basis account system to an obligation basis, what we have done is to hasten and, in fact, complete that conversion and cause internal auditors and the Inspector General to begin to go through all of our back records to insure that all of our obligations are, in fact, recorded in the proper year.

Senator D'AMATO. Now in terms of a 1982 antideficiency violation, what are the possibilities? Is it true that such a violation may be probable, that UMTA will have obligated more than it has been given authority to spend?

Mr. TEELE. Well, Mr. Chairman, I have learned one thing about Washington. This is a town of smoke and mirrors and rumors. There is a situation which was reported to me——

Senator D'AMATO. Smoke, mirrors, and rumors?

Mr. TEELE. Smoke, mirrors, and rumors. This falls within the——

Senator D'AMATO. Are those two-way mirrors?

Mr. TEELE. This question really falls within the latter. In late 1981 the executive director was approached by an individual who was concerned about the possibilities of irregularities concerning the contracting of the UMTA Office of Management Systems, which is our ADP administrative data processing and computer services.

Upon hearing these concerns, the executive director contacted the Department Inspector General and asked him to commence a formal investigation. In discussing this matter with the Inspector General, we were advised that there was an anonymous hotline call on the same subject. Based upon our specific request, the Inspector General accelerated his investigation.

Because that investigation is still underway, I have been advised to limit my testimony and disclosure in order not to prejudice the outcome of the Inspector General's report, but let me assure this committee that at the point in time that we were advised of that, we held in abeyance sufficient dollars to cover any potential expenditures so as to preclude an overobligation. And I can assure you and the members of this committee that if there is an over——

Senator D'AMATO. Do you think you have taken sufficient action to deal with that?

Mr. TEELE. Yes; Mr. Chairman.

METRO CONSTRUCTION FUNDS

Senator D'AMATO. OK. Chairman Andrews has asked me to put this question to you. The Washington Metro Area Transportation Authority testified before this committee earlier this year that it was clear that differences existed between Metro and the administration as to what was a feasible solution to the method of funding Metro's construction. The dilemma focuses on the use of interstate transfer funds versus a more substantial level of Stark-Harris commitment than the administration is proposing. That is $100 million.

Has this disagreement been worked out? And what is the administration's position at this time?

Mr. TEELE. The difficulty, Mr. Chairman, has not been worked out. It will not be worked out until the Secretary, consistent with the Stark-Harris Act, has certified that the District of Columbia, the State of Maryland, and the State of Virginia have sufficient funds dedicated to insure a stable and reliable funding source before the Department releases the Stark-Harris funds, which is the condition precedent to that release of funds. Until we have certified stable and reliable funding, we cannot come to terms on the numbers.

Senator D'AMATO. You are dealing with certification and the problem is that there are those who are concerned that the funds which are available are insufficient. That would be another catch-22.

Mr. TEELE. Well, they are going to be insufficient, Mr. Chairman, if we do not have a stable and reliable funding source. Now we have set aside, requested $100 million for Stark-Harris funding. But I would not want to mislead you or the members of this committee that if we do not have stable and reliable assurances, that we would release those funds.

Senator D'AMATO. I understand that. Let us suppose that the States and local jurisdictions come up with certifiable funds in the amount necessary to go forth with this program. The contention is on the part of the Authority that the $100 million would be insufficient in any event.

Now is that true? I do not want to argue the legal——

Mr. TEELE. That is basically true, Mr. Chairman. We are looking now at a budget request or reservation of $195 million additional out of the interstate transfer. The question of whether the aggregate of those two numbers, $295 million, would be sufficient, is a matter about which reasonable men, I guess, can disagree. The administration contends that $295 million going into the Washington area to maintain the construction is sufficient to continue the construction at the level that this administration has committed itself, which is the 75 miles of the operable segment.

Senator D'AMATO. So we are talking about $295 million. There is a need for an additional $195 million; is that what you are saying?

Mr. TEELE. Yes; Mr. Chairman.

INTERSTATE TRANSFER PROGRAM

Senator D'AMATO. All right. We have been hearing a great deal about the interstate transfer grant program. Now, the transit demands in fiscal 1983 are estimated by some to be as high as $800 million, yet you are proposing only a $400 million level, and this is a reduction from last year of $138 million.

What is your assessment of fiscal year 1983's demands for interstate transfer grants? Do you view this program as representing a Federal commitment to those jurisdictions which have withdrawn interstate segments with the promise of receiving funds for alternative projects?

Mr. TEELE. Mr. Chairman, we believe that the $800 million which we submitted to the committee is an unrestrained demand. We do not think that is a realistic demand. We think the realistic demand is somewhere between $350 and $450 million. We have requested $400 million.

We believe that the $400 million, a reduction of approximately some $200 million from our previous year's request, is sufficient to keep those projects that are under construction moving, and at the same time we will be opening up new preliminary engineering for rail and other studies out of those funds, particularly in Sacramento and other cities, consistent with the instructions and the directions of the Congress.

SUBMITTED QUESTIONS

Senator D'AMATO. We have some additional questions, as I have indicated, that we will submit to you for the record. I would like to thank the Administrator, Mr. Teele, and those of his staff for being candid with the committee. The exchanges at times may take different viewpoints, but certainly I understand that Mr. Teele and UMTA have no less a commitment to urban mass transit and its necessity than do the most ardent proponents of retaining operating subsidies. I commend the Adminstrator for his forthrightness, and I would ask once again that the information we have requested be made available as soon as possible so that we can work on putting together a package that will give you the flexibility and the necessary resources to meet the important transit needs of our Nation.

[The following questions were not asked at the hearing but were submitted for response for the record:]

Questions Submitted by Senator Andrews

GAO

Senator Andrews: a. In a report released January 20, 1982, the GAO has concluded that UMTA:

1. Does not have a means of ensuring that projects it undertakes are addressing the transit industry's most important needs.

2. Is spending research funds and effort on solving problems that the private sector is addressing on its own.

What changes are you proposing within UMTA to better acquaint yourselves with the transit industry's needs so as not to duplicate work already done but instead to target on the needs most important to transit's development?

b. This same GAO report also concludes that UMTA "Does not identify or consider barriers that prevent intended users from accepting or adopting research results." What purpose do you see to the research you do if you do not make sure that it reaches its intended users.

Response: a. The GAO states that the UMTA R&D program pursues projects which may not be responsive to the needs of the transit planners and operators, and thus numerous products of the program are not adopted by the intended users. In conducting its review, and in drawing its conclusions, the GAO focused primarily upon major product development projects initiated and pursued in the early 1970's. In its report the GAO states that "In the mid-1970's, UMTA recognized that many of its research efforts were not being used by the transit industry, and as a result it began initiating more short-term, management-oriented projects." Further, the GAO notes that "UMTA directly sponsors two processes for identifying transit research needs: periodic research and development conferences and the national cooperative research and development program. Research needs are also identified by several other organizations made up of various segments of UMTA's constituency, including transit operators; State and local government officials; transit industry suppliers, consultants, and equipment manufacturers; and the academic and research communities." In addition, the GAO acknowledges that "At least four other organizations--the Transportation Research Board; the American Public Transit Association; the Urban Consortium for Technology Initiatives; and the Intergovernmental Science, Engineering, and Technology Advisory Panel--have identified research needs from their individual perspectives." The GAO does not state that UMTA has also established industry advisory and review panels in cooperation with most of these groups for practically all of its R&D programs, and that these panels assist in setting priorities, guiding programs, reviewing progress, and assuring adoption of results.

b. To assure that research results are adopted by the intended users, UMTA has sponsored several studies and workshops on the barriers to innovation. In addition, the industry advisory and review panels established by UMTA also concentrate on eliminating any barriers to the implementation of innovative research results.

In enacting Section 3(a)(1)(C) which permits grant for "the introduction into public transportation service of new technology in the form of innovative and improve products," the Senate recognized the need to encourage operators to adopt technologies and produce improvements which have been developed and proved to be cost effective and beneficial to transit operations. For similar reasons, the Congress also enacted Section 4(i) "for the deployment of innovative techniques and methods in the management and operation of public transportation services." Funds for implementing both sections were first available in the current fiscal year.

Given the substantial restructuring of the UMTA R&D program to avoid the problems of the early 1970's cited by the GAO, and the extensive activities designed to develop, coordinate, and review the UMTA R&D program with transit planners, manufacturers, suppliers, consultants, and operators,

we believe that the problems cited by the GAO have been largely resolved and the recommendations made by the GAO have already been implemented.

SECTION 18

Senator Andrews: What type of services have been funded with Section 18 monies? What is the most common type of service funded?

Response: The diversity of Section 18 localities and eligible recipients has, in turn, promoted a broad mix of services which have been funded. System types range from one or two van, demand-responsive operations to standard bus, fixed route systems in non urbanized areas (under 50,000). Recipients include small cities and towns, counties, and Indian reservations. In some cases, Section 18 systems are operated by private companies under a purchase-of-service contract with the recipient. Section 18 has also provided user side subsidy for the transportation of individuals on existing transportation systems.

A "typical" Section 18 system would be a combined human service and public transportation system normally operated by, or in conjunction with, a non-profit agency. Vans and small buses are typically used in a mix of demand responsive and limited fixed route modes. Passengers are normally physically or economically disadvantaged.

Senator Andrews: Please provide a listing of the amounts and recipients of Section 18 funds for FY 1980, 1981, and 1982. Please include a listing of the carryover amounts for those years.

Response: The attached tables provide a listing of the amounts available to each recipient, the amount obligated and the amount of carryover funds for FY 1980, 1981 and as of February 28, 1982.

U. S. DEPARTMENT OF TRANSPORTATION P8Z30M58-032
FEDERAL HIGHWAY ADMINISTRATION

STATUS OF FUNDS APPORTIONED FOR
UMTA SEC. 18 NON URBANIZED TRANSPORTATION PROGRAM - APPN 881/882

OCT 18 1979

AS OF SEPTEMBER 30, 1979

STATE	TOTAL AVAILABLE	OBLIGATIONS THRU F. Y. 1978	OBLIGATIONS F. Y. 1979 TO DATE	OBLIGATIONS TOTAL	UNOBLIGATED BALANCE
ALABAMA	2,128,950.00		319,342.00	319,342.00	1,809,608.00
ALASKA	170,250.00				170,250.00
ARIZONA	546,975.00		70,850.00	70,850.00	476,125.00
ARKANSAS	1,373,175.00		45,000.00	45,000.00	1,328,175.00
CALIFORNIA	3,258,075.00				3,258,075.00
COLORADO	696,675.00		25,000.00	25,000.00	671,675.00
CONNECTICUT	703,950.00				703,950.00
DELAWARE	176,475.00		20,000.00	20,000.00	156,475.00
FLORIDA	1,823,325.00		273,498.00	273,498.00	1,549,827.00
GEORGIA	2,408,325.00		210,000.00	210,000.00	2,198,325.00
HAWAII	291,300.00		43,690.00	43,690.00	247,610.00
IDAHO	558,375.00		83,756.00	83,756.00	474,619.00
ILLINOIS	2,795,100.00				2,795,100.00
INDIANA	2,480,100.00		601,695.00	601,695.00	1,878,405.00
IOWA	1,754,625.00		163,557.00	163,557.00	1,591,068.00
KANSAS	1,292,400.00		88,860.00	88,860.00	1,203,540.00
KENTUCKY	1,845,300.00		632,854.00	632,854.00	1,212,446.00
LOUISIANA	1,647,525.00		247,128.00	247,128.00	1,400,397.00
MAINE	730,950.00		109,642.00	109,642.00	621,308.00
MARYLAND	1,177,050.00		400,000.00	400,000.00	777,050.00
MASSACHUSETTS	1,197,675.00		179,651.00	179,651.00	1,018,024.00
MICHIGAN	2,782,350.00		571,434.00	571,434.00	2,210,916.00
MINNESOTA	1,638,975.00				1,638,975.00
MISSISSIPPI	1,604,175.00				1,604,175.00
MISSOURI	1,859,550.00		186,450.00	186,450.00	1,673,100.00
MONTANA	491,250.00				491,250.00
NEBRASKA	789,000.00		173,381.61	173,381.61	615,618.39
NEVADA	134,025.00				134,025.00
NEW HAMPSHIRE	501,375.00		18,750.00	18,750.00	482,625.00
NEW JERSEY	961,800.00		144,270.00	144,270.00	817,530.00
NEW MEXICO	639,075.00		95,861.00	95,861.00	543,214.00
NEW YORK	3,369,525.00		250,000.00	250,000.00	3,119,525.00
NORTH CAROLINA	3,296,775.00		93,329.00	93,329.00	3,203,446.00
NORTH DAKOTA	501,975.00		75,296.00	75,296.00	426,679.00
OHIO	3,552,450.00		521,963.00	521,963.00	3,030,487.00
OKLAHOMA	1,334,925.00				1,334,925.00
OREGON	977,400.00		44,300.00	44,300.00	933,100.00
PENNSYLVANIA	4,267,425.00		453,459.06	453,459.06	3,813,965.94
RHODE ISLAND	181,875.00				181,875.00
SOUTH CAROLINA	1,653,450.00		160,750.00	160,750.00	1,492,700.00
SOUTH DAKOTA	525,000.00		78,750.00	78,750.00	446,250.00
TENNESSEE	2,060,025.00		50,200.00	50,200.00	2,009,825.00
TEXAS	3,733,275.00		300,000.00	300,000.00	3,433,275.00
UTAH	290,025.00		43,503.00	43,503.00	246,522.00
VERMONT	395,550.00		395,550.00	395,550.00	
VIRGINIA	1,991,400.00		298,710.00	298,710.00	1,692,690.00
WASHINGTON	1,237,500.00		185,625.00	185,625.00	1,051,875.00
WEST VIRGINIA	1,189,500.00				1,189,500.00
WISCONSIN	2,083,800.00				2,083,800.00
WYOMING	295,650.00		44,319.00	44,319.00	251,331.00
DIST. OF COL.					
PUERTO RICO	1,440,450.00		216,067.00	216,067.00	1,224,383.00
SUBTOTAL	74,836,125.00		7,916,490.67	7,916,490.67	66,919,634.33
AMERICAN SAMOA	24,150.00				24,150.00
GUAM	75,600.00		11,340.00	11,340.00	64,260.00
N. MARIANA	8,550.00		1,282.00	1,282.00	7,268.00
VIRGIN ISLANDS	55,575.00				55,575.00
SUBTOTAL	163,875.00		12,622.00	12,622.00	151,253.00
TOTAL	75,000,000.00		7,929,112.67	7,929,112.67	67,070,887.33

FEDERAL HIGHWAY ADMINISTRATION

STATUS OF FUNDS APPORTIONED FOR
SECS. 10 AND 142(b) URBANIZED TRANSPORTATION PROGRAM - APPN 881/882

AS OF SEPTEMBER 30, 1980

FP3IMSDA-332

STATE	TOTAL AVAILABLE	OBLIGATIONS THRU F. Y. 79	OBLIGATIONS F. Y. 80 TO DATE	OBLIGATIONS TOTAL	UNOBLIGATED BALANCE
ALABAMA	4,107,938.00	319,342.00		319,342.00	3,788,596.00
ALASKA	363,173.00		142,240.00	142,240.00	220,933.00
ARIZONA	1,166,453.00	70,850.00	43,196.00	114,046.00	1,052,407.00
ARKANSAS	2,932,295.00	45,300.00	867,267.50	912,567.50	2,019,727.50
CALIFORNIA	4,494,578.00		1,306,794.00	1,306,794.00	3,187,784.00
COLORADO	1,986,232.00	25,000.00	165,885.00	190,885.00	1,795,347.00
CONNECTICUT	1,502,740.00		234,393.00	234,393.00	1,268,347.00
DELAWARE	176,998.00	20,000.00		20,000.00	156,998.00
FLORIDA	3,470,222.00	273,490.00	1,376,634.00	1,650,132.00	1,820,090.00
GEORGIA	5,133,834.00	230,000.00	1,121,952.00	1,351,952.00	3,781,882.00
HAWAII	431,950.00	43,500.00	130,500.00	174,593.00	257,357.00
IDAHO	1,101,237.00	83,756.00	836,469.00	916,225.00	184,812.00
ILLINOIS	5,404,581.00		1,339,326.00	1,339,326.00	4,065,255.00
INDIANA	5,302,135.00	601,090.00	1,900,821.00	2,501,910.00	2,800,225.00
IOWA	3,753,433.00	163,557.00	1,237,216.00	1,400,773.00	2,352,660.00
KANSAS	2,767,280.00	88,000.00	115,000.00	203,000.00	2,564,280.00
KENTUCKY	3,796,881.00	630,054.00	1,340,136.00	1,970,190.00	1,826,691.00
LOUISIANA	3,519,925.00	247,126.00		247,126.00	3,272,799.00
MAINE	1,509,931.00	109,893.00	653,140.60	762,782.60	747,148.40
MARYLAND	2,912,230.00	400,000.00	1,699,433.00	2,099,433.00	812,797.00
MASSACHUSETTS	2,363,428.00	179,051.00	1,691,399.00	1,871,045.00	492,383.00
MICHIGAN	5,345,011.00	571,934.00	4,134,689.00	4,706,623.00	638,388.00
MINNESOTA	3,045,014.00		2,319,560.00	2,319,560.00	1,192,454.00
MISSISSIPPI	3,515,121.00		188,600.00	188,600.00	3,327,121.00
MISSOURI	3,411,259.00	186,956.00	852,222.00	1,039,178.00	2,372,081.00
MONTANA	1,093,992.00		902,357.89	902,357.89	191,634.11
NEBRASKA	1,671,689.00	173,301.61	1,264,854.12	1,438,155.73	233,533.27
NEVADA	267,818.00		93,341.00	93,341.00	174,477.00
NEW HAMPSHIRE	1,309,639.00	18,750.00	260,610.16	279,360.16	730,278.84
NEW JERSEY	4,900,392.00	199,270.00	672,211.17	871,481.17	4,028,910.83
NEW MEXICO	1,383,343.00	93,881.00	381,137.50	475,018.50	908,324.50
NEW YORK	7,190,105.00	210,000.00	334,800.00	544,800.00	6,645,305.00
NORTH CAROLINA	3,341,614.00	93,329.00	4,804,844.00	4,898,173.00	2,048,441.00
NORTH DAKOTA	1,060,847.00	75,296.00	995,551.00	1,070,847.00	
OHIO	8,267,493.00	541,863.00	1,753,059.40	2,294,922.40	5,282,017.60
OKLAHOMA	2,657,231.00		251,376.77	251,376.77	2,405,854.23
OREGON	2,493,629.00	99,300.00	1,827,185.00	1,926,485.00	622,134.00
PENNSYLVANIA	9,334,077.00	853,959.06	3,533,362.00	3,660,621.06	5,427,237.94
RHODE ISLAND	368,002.00		27,281.00	27,281.00	340,721.00
SOUTH CAROLINA	3,535,886.00	110,750.00	2,624,575.00	2,790,325.00	745,561.00
SOUTH DAKOTA	1,114,992.00	70,750.00	819,900.00	890,650.00	624,332.00
TENNESSEE	4,403,234.00	50,200.00	2,490,202.00	2,540,402.00	1,862,832.00
TEXAS	7,472,643.00	300,300.00	412,720.00	713,720.00	7,260,113.00
UTAH	618,737.00	93,563.00	49,306.00	92,869.00	525,868.00
VERMONT	893,893.00	395,550.00	498,303.00	893,853.00	
VIRGINIA	9,276,005.00	290,736.00	2,657,362.74	2,958,098.74	1,300,753.26
WASHINGTON	4,298,515.00	100,625.00	1,693,762.00	1,794,387.00	504,128.00
WEST VIRGINIA	2,998,187.00		2,192,634.00	2,192,634.00	805,473.00
WISCONSIN	4,933,966.00		1,190,000.00	1,190,000.00	3,743,966.00
WYOMING	990,193.00	99,319.00		99,319.00	586,818.00
DIST. OF COL.					
PUERTO RICO	3,381,477.00	216,067.00		216,067.00	2,865,412.00
SUBTOTAL	154,550,394.00	7,710,770.67	55,560,610.87	63,483,101.54	70,167,231.46
AMERICAN SAMOA	51,[illegible].00				51,527.00
GUAM	161,[illegible].00	11,340.00		11,340.00	149,931.00
N. MARIANA	21,[illegible].00	1,000.00	1,957.00	2,739.00	19,929.00
VIRGIN ISLANDS	116,245.00		1,000.00	1,000.00	117,543.00
SUBTOTAL	349,617.00	12,822.00	2,957.00	15,079.00	334,538.00
TOTAL	210,330,033.00	7,723,592.67	55,563,567.87	63,498,180.54	70,501,813.46

U. S. DEPARTMENT OF TRANSPORTATION
FEDERAL HIGHWAY ADMINISTRATION

STATUS OF FUNDS APPORTIONED FOR
SECTION 19 UMTA - FY80 & PRIOR APPN 081/092

AS OF SEPTEMBER 30,1981

OCT 28 1981

LF01M88-027

STATE	TOTAL AVAILABLE	OBLIGATIONS THRU F. Y. 80	OBLIGATIONS F. Y. 81 TO DATE	OBLIGATIONS TOTAL	UNOBLIGATED BALANCE
ALABAMA	4,187,409.00	319,342.00	967,151.00	986,493.00	3,900,916.00
ALASKA	363,178.00	142,260.00	217,920.00	360,180.00	3,010.00
ARIZONA	1,166,853.00	112,046.00	294,557.00	406,603.00	760,250.00
ARKANSAS	2,930,248.00	912,797.50	1,039,731.50	1,952,019.00	978,229.00
CALIFORNIA	6,959,579.00	1,936,749.00	4,403,786.00	5,710,534.30	1,249,044.00
COLORADO	1,496,212.00	150,885.00	1,320,377.00	1,471,262.00	14,950.00
CONNECTICUT	1,501,742.00	239,393.00	235,343.00	474,736.00	1,027,006.00
DELAWARE	376,498.00	20,000.00	120,363.00	140,363.00	236,135.00
FLORIDA	3,896,222.00	1,668,132.00	2,906,638.00	3,654,770.00	243,452.00
GEORGIA	5,139,494.00	1,391,452.00	3,758,042.00	5,139,494.00	
HAWAII	821,446.00	170,590.00	147,283.00	317,873.00	903,573.00
IDAHO	1,191,237.00	916,225.00	275,012.00	1,191,237.00	
ILLINOIS	5,964,541.00	1,339,926.00	1,129,762.00	2,469,088.00	3,495,453.00
INDIANA	5,301,105.00	2,598,516.00	2,460,004.00	5,248,520.00	252,584.00
IOWA	3,753,433.00	1,452,773.00	2,862,293.86	3,744,856.86	8,576.14
KANSAS	2,767,285.00	203,860.00	353,948.17	557,808.17	2,209,476.83
KENTUCKY	3,946,861.00	2,111,012.00	1,834,973.00	3,945,985.00	1,876.00
LOUISIANA	3,524,924.00	247,178.00	1,107,211.61	1,354,339.53	2,170,584.47
MAINE	1,559,401.00	752,782.60	792,829.10	1,545,611.70	3,789.30
MARYLAND	2,521,236.00	2,394,433.20	107,246.20	2,501,679.20	19,556.80
MASSACHUSETTS	2,563,528.00	1,871,345.00	143,606.00	2,014,651.00	548,877.00
MICHIGAN	5,965,866.00	5,326,123.00	639,743.00	5,965,866.00	
MINNESOTA	3,509,014.00	2,314,560.00	210,136.00	2,524,696.00	984,318.00
MISSISSIPPI	3,515,721.00	198,600.00	1,275,468.00	1,484,068.00	2,031,653.00
MISSOURI	3,977,259.00	1,038,672.00	1,786,067.32	2,824,739.32	1,172,519.68
MONTANA	1,047,991.00	932,357.89	147,821.43	1,545,179.32	2,811.68
NEBRASKA	1,691,689.00	1,458,734.73	168,125.21	1,626,359.94	65,329.06
NEVADA	287,618.00	63,141.00	110,665.00	153,806.00	133,812.00
NEW HAMPSHIRE	1,069,639.00	279,960.18	207,929.43	487,889.61	582,149.39
NEW JERSEY	2,060,362.00	835,431.17	513,030.99	1,367,391.15	717,990.85
NEW MEXICO	1,363,393.00	476,998.50	625,933.35	1,103,931.85	290,461.15
NEW YORK	7,196,783.00	944,800.00	2,314,979.00	2,899,179.00	4,297,804.00
NORTH CAROLINA	7,041,614.00	4,993,173.00	2,005,147.00	6,998,320.00	43,294.00
NORTH DAKOTA	1,070,847.00	1,070,847.00		1,070,847.00	
OHIO	7,587,040.00	2,335,022.40	2,159,596.80	4,464,619.20	3,122,420.80
OKLAHOMA	2,857,231.00	251,372.77	126,244.96	377,617.73	2,479,613.27
OREGON	2,093,624.00	1,471,485.00	622,139.00	2,093,624.00	
PENNSYLVANIA	9,114,079.00	3,836,921.06	3,375,839.00	7,062,660.06	2,051,418.94
RHODE ISLAND	388,002.00	27,281.00		27,281.00	360,721.00
SOUTH CAROLINA	3,535,886.00	2,780,525.20	716,049.19	3,504,574.19	31,311.81
SOUTH DAKOTA	1,119,990.00	498,658.00	621,332.00	1,119,990.00	
TENNESSEE	4,409,236.00	2,540,462.00	1,862,772.00	4,403,234.00	
TEXAS	7,972,443.00	712,728.30	1,113,537.52	1,826,265.82	6,146,177.18
UTAH	618,737.00	92,909.00	525,040.00	617,949.00	788.00
VERMONT	843,853.00	843,853.00		843,853.00	
VIRGINIA	4,256,456.00	2,956,092.74	1,300,184.54	4,256,277.28	178.72
WASHINGTON	2,648,515.00	1,979,407.00	669,694.72	2,649,101.72	413.28
WEST VIRGINIA	2,546,107.00	2,142,634.00	403,473.00	2,546,107.00	
WISCONSIN	4,453,966.00	1,190,000.30	3,263,966.00	4,453,966.00	
WYOMING	630,735.00	44,319.00		44,319.00	586,416.00
DIST. OF COL.					
PUERTO RICO	3,081,477.00	216,067.00		216,067.00	2,865,410.00
SUBTOTAL	159,650,383.00	63,493,101.94	51,382,468.88	114,875,570.82	44,774,812.18
AMERICAN SAMOA	51,527.00		51,527.00	51,527.00	
GUAM	161,278.00	11,340.00	12,851.00	24,191.00	137,087.00
N. MARIANA	18,267.00	2,739.00		2,739.00	15,528.00
VIRGIN ISLANDS	118,545.00	1,000.00	117,545.00	118,545.00	
SUBTOTAL	349,617.00	15,079.00	181,923.00	197,002.00	152,615.00
TOTAL	160,000,000.00	63,508,180.94	51,574,391.88	115,272,572.82	44,927,427.18

U. S. DEPARTMENT OF TRANSPORTATION
FEDERAL HIGHWAY ADMINISTRATION

STATUS OF FUNDS APPORTIONED FOR
SECTION 18 UMTA - FY80 & PRIOR APPN 801/802

AS OF MARCH 31, 1981

PAD-0146-1100M
LF01M5AA-027

STATE	TOTAL AVAILABLE	OBLIGATIONS THRU F. Y. 81	OBLIGATIONS F. Y. 82 TO DATE	OBLIGATIONS TOTAL	UNOBLIGATED BALANCE
ALABAMA	4,187,409.00	286,493.00	221,873.00	1,108,366.00	3,079,043.00
ALASKA	363,178.00	360,168.00		360,168.00	3,010.00
ARIZONA	1,166,853.00	406,603.00	59,840.00	466,443.00	700,410.00
ARKANSAS	2,930,248.00	1,952,019.00	266,658.00	2,218,677.00	711,571.00
CALIFORNIA	6,959,579.00	5,710,534.00	1,249,045.00	6,959,579.00	
COLORADO	1,486,212.00	1,471,262.00	14,950.00	1,486,212.00	
CONNECTICUT	1,501,742.00	474,736.00	65,725.39	540,461.39	961,280.61
DELAWARE	376,498.00	140,363.00		140,363.00	236,135.00
FLORIDA	3,898,222.00	3,654,770.00	67,830.00	3,722,600.00	175,622.00
GEORGIA	5,139,494.00	5,139,494.00		5,139,494.00	
HAWAII	621,496.00	317,873.50	148,516.00	466,389.00	155,047.00
IDAHO	1,191,237.00	1,191,237.00	226,512.00CR	964,725.00	226,512.00
ILLINOIS	5,964,541.00	2,469,088.00	995,730.00	3,464,818.00	2,499,723.00
INDIANA	5,301,105.00	5,048,520.00	155,777.00	5,204,242.00	96,863.00
IOWA	3,743,433.00	3,744,856.86	75,175.80CR	3,669,681.06	83,751.94
KANSAS	2,767,285.00	557,808.17	241,911.60	799,719.77	1,967,565.23
KENTUCKY	3,946,861.00	3,945,385.00		3,945,385.00	1,476.00
LOUISIANA	3,524,924.00	1,354,339.60	24,505.00CR	1,329,834.60	2,195,089.40
MAINE	1,559,401.00	1,555,611.70	3,789.30	1,559,401.00	
MARYLAND	2,521,236.00	2,501,679.20	500.77CR	2,501,178.43	20,057.57
MASSACHUSETTS	2,563,528.00	2,014,651.00	548,876.24	2,563,527.24	.76
MICHIGAN	5,945,866.00	5,945,866.00	3,039.00CR	5,942,827.00	3,039.00
MINNESOTA	3,505,014.00	2,524,696.00	980,318.00	3,505,014.00	
MISSISSIPPI	3,515,721.00	1,464,068.00	176,945.00	1,640,813.00	1,874,908.00
MISSOURI	3,977,744.00	2,804,739.32	761,511.00	3,566,250.32	411,000.68
MONTANA	1,047,991.00	1,045,179.32		1,045,179.32	2,811.68
NEBRASKA	1,691,889.00	1,626,359.94	59,512.00	1,685,871.94	5,817.06
NEVADA	287,618.00	153,806.00	133,812.00	287,618.00	
NEW HAMPSHIRE	1,069,639.00	487,409.61	161,454.26	648,863.87	420,675.13
NEW JERSEY	2,060,342.00	1,347,391.15	335,039.95	1,682,431.00	377,911.00
NEW MEXICO	1,363,393.00	1,103,931.85	259,461.15	1,363,393.00	
NEW YORK	7,196,783.00	2,899,179.00	977,193.00	3,876,372.00	3,320,411.00
NORTH CAROLINA	7,041,614.00	6,998,320.00		6,998,320.00	43,294.00
NORTH DAKOTA	1,070,847.00	1,070,847.00		1,070,847.00	
OHIO	7,587,040.00	4,464,619.20	2,760,666.00	7,225,285.20	361,754.80
OKLAHOMA	2,857,231.00	377,617.73		377,617.73	2,479,613.27
OREGON	2,093,624.00	2,093,624.00		2,093,624.00	
PENNSYLVANIA	9,114,079.00	7,082,660.06	2,031,418.94	9,114,079.00	
RHODE ISLAND	308,402.00	27,281.00		27,281.00	360,721.00
SOUTH CAROLINA	3,535,886.00	3,504,374.19	194,695.17CR	3,309,679.02	226,206.98
SOUTH DAKOTA	1,119,990.00	1,117,990.00	9,266.89CR	1,110,723.11	9,266.89
TENNESSEE	4,403,234.00	4,403,234.00		4,403,234.00	
TEXAS	7,972,843.00	1,826,265.52	900,340.48	2,726,606.00	5,246,237.00
UTAH	618,737.00	617,849.00	123.98CR	617,725.02	1,011.98
VERMONT	843,853.00	843,853.00		843,853.00	
VIRGINIA	4,256,856.00	4,256,277.28	94.40CR	4,256,182.88	673.12
WASHINGTON	2,648,515.00	2,648,101.72	154.78CR	2,647,946.94	568.06
WEST VIRGINIA	2,546,107.00	2,546,107.00	13,446.00CR	2,532,661.00	13,446.00
WISCONSIN	4,453,966.00	4,453,966.00		4,453,966.00	
WYOMING	630,735.00	44,319.00	525,830.00	569,949.00	60,786.00
DIST. OF COL.					
PUERTO RICO	3,081,477.00	716,067.00		716,067.00	2,865,410.00
SUBTOTAL	159,650,383.00	114,875,570.42	13,575,854.82	128,451,425.24	31,198,957.76
AMERICAN SAMOA	51,527.00	51,527.00		51,527.00	
GUAM	161,276.00	24,191.00		24,191.00	137,085.00
N. MARIANA	18,267.00	22,739.00		2,739.00	15,528.00
VIRGIN ISLANDS	118,545.00	118,545.00		118,545.00	
SUBTOTAL	349,617.00	197,002.00		197,002.00	152,613.00
TOTAL	160,000,000.00	115,072,572.42	13,575,854.82	128,648,427.24	31,351,572.76

ENERGY CONTINGENCY PLAN

Senator Andrews: Mr. Teele, another GAO report of July 1981 stated that many areas of our country are poorly prepared to help maintain commuter mobility during gasoline supply disruptions. Given the national impact of gas shortages, don't you see a role for UMTA in coordinating efforts and technical assistance to localitites to develop contingency plans?

Response: Yes. In fact, we have recently reemphasized our interest in Contingency Planning through issuance of guidance to our field offices. This guidance asked that they reiterate the eligibility of contingency planning under the Section 8 Technical Studies program and of certain pre-emergency preparatory actions such as enhanced fuel supply for capital funding. In addition, we are undertaking a range of technical assistance activities including training, preparation of procedural and technical guidance and prototype studies. We share your concern over the negative impact of potential energy shortfalls and will continue to support contingency planning at the local level.

CONTINGENCY PLANNING

Senator Andrews: What is the current status of your bus stockpiling program? How many buses have been stockpiled?

Response: At the present time, UMTA does not have a formal bus stockpiling program. The stockpiling of buses is a local option and each area is responsible for determining its needs for stockpiling as part of its energy contingency planning effort. UMTA does not keep official records on the number of stockpiled buses but estimates the number to be several thousand nationwide.

PERSONNEL DEVELOPMENT

Senator Andrews: In August 1979, an Office of the Secretary report entitled, "UMTA Management Alternatives" indicated that UMTA is handicapped by a shortage of skilled personnel. In the face of current personnel reductions, how is UMTA managing to improve the quality of its personnel?

Response: One method UMTA has used to improve the quality of its on-board personnel is through specialized training. Each year an annual training plan is submitted by each major organization in UMTA for its entire staff. Training priorities are then established with primary emphasis placed on mission accomplishments. Following are training figures for the years 1977 through 1981.

Year	Training Budget	Monies Expended
1977	$ 67,200	$ 64,218
1978	140,200	112,381
1979	127,400	126,443
1980	90,000	79,874
1981	99,520	77,689

A review of expenditures for training for these years shows a relatively equal distribution of training costs from the executive through the clerical level. This supports across-the-board development of staff as opposed to concentration on a narrow segment.

Since 1979, all hiring in UMTA has been of people with proven experience in the areas needed as opposed to hiring individuals with potential and then subjecting them to a lengthy training program.

UMTA is also participating in Departmental management development programs. Two UMTA employees are currently participating in the Department's Executive Development Program. Eleven UMTA managers participated in the Departmental sponsored Occupational Safety and Health Training Program. In 1981, 108 employees attended management development training courses.

Because of our size it is more efficient to have individuals attend training given by OPM and local colleges and universities, etc. The visability of training is not as apparent as with larger agencies which can schedule regular management development courses through the year. Nevertheless, we are striving to ensure that our managers and supervisors are receiving the managerial training that is needed to carry out their duties and responsibilities.

In addition to formal and on-the-job training, we have been contributing to employee development through the use of rotational assignments and intend to continue this practice.

Another management method to improve quality is in the area of incentive awards and promotions. Individuals who have demonstrated accomplishments, especially the ability to perform increased duties or responsibilities at a higher level, are rewarded by incentive awards or promoted as appropriate.

Senator Andrews: Was the ability of the workforce, of the individual worker, taken into account as the workforce reductions were made?

Response: When conducting a RIF, regulations and procedures must be followed. One of the initial requirements in the RIF process is the consideration of positions. This question must be answered by a supervisor who is given a mission to accomplish, i.e., what kind of skills (positions) are needed to accomplish the tasks which in turn achieve the mission. Once this is determined, positions that are no longer needed to accomplish the mission are then abolished. When this decision is made, the people in these positions are initially involved in the RIF process. The RIF procedures favor seniority and veterans preference. One method in the RIF procedures that does permit management to reward quality performance is in the Annual Performance Appraisal process. An individual receiving an Outstanding Performance Rating is given 4 additional years of service credit for his or her Service Computation Date.

INTERSTATE TRANSFER

Senator Andrews: What is the current demand for Interstate Transfer funds for FY 1983? Please provide a listing by city, including the amount which could be obligated in FY 1983.

Response: The current demand for Interstate Transfer transit funds for projects under construction is between $350 and $450 million. Our plans for FY 1983 contemplate funding for the following:

Area	
Boston (red Line and Orange Line under construction)	$400 Million
*Washington, D.C. (Metrorail 75-mile system under construction)	
Portland (Banfield project under construction)	
Baltimore (Northwest extension under construction)	
Connecticut	

We estimate that total nationwide demand could possibly be double the above figure, if areas accellerated their development of projects.

* $195 million was our assumption in preparation of the budget. FY 1983 is the first year we propose appropriations against the Stark-Harris authorization for Metro. For budgeting purposes it is essential to view Stark-Harris and Interstate funds together. Combined, our request equals $500 million, of which we planned to allocate $295 million for Metro construction. Our assumptions were that $195 million of that would be allocated from Interstate, however, the District of Columbia may prefer to draw more heavily from Stark Harris and not commit the remaining interstate funds for transit. The immediate demand on interstate funds would be proportionately decreased.

Senator Andrews: On what basis do you intend to choose those projects to be funded, given that your funding request is significantly less than the level of demand?

Response: UMTA will choose projects on the following basis:

(a) Projects already under construction will be funded at a level sufficient to maintain construction schedules until completion.

(b) Projects which are defined but not under construction or not in progress (e.g. vehicle purchases), and for which the grantee has the financial capacity to complete with Interstate and local funds without dependence on UMTA's Section 3 program, will be put in a time queue. Funding will be provided for a given number of projects in this category which can be scheduled to completion with current and anticipated program levels. (Once projects are under construction they advance to category (a).)

(c) All other projects will advance to category (b) when they meet the financial criterion of that category.

To date it has been possible to schedule all defined projects within available program levels, without employing a time queue as a rationing method.

Senator Andrews: What will the impact on the Interstate Transfer grant recipients who do not receive funding in FY 1983.

Response: The degree of impact on recipients who do not receive funding in FY 1983 will vary considerably and is a function of how critical the specific project is to the area's overall transportation needs. However, balances in the Interstate Transfer withdrawal account are adjusted to reflect changes in construction cost due to inflation. Thus, areas have not been penalized because of inflation.

REORGANIZATION AND REDUCTIONS IN FORCE

Senator Andrews: You stated in your reorganization materials that "no functions would be eliminated." How do you justify the reduction of 66 functionally oriented positions without a commensurate elimination of functions? Do you now feel that you have adequate staff in the functional program offices?

Response: The reduction in the number of positions without a commensurate elimination of functions was accomplished through realignment and

consolidation of functions, elimination of excess supervisory positions, and delegation of authority to regional offices. None of our activities has been eliminated altogether, although several have been redirected to better serve local transit needs. Current staffing in the functional program offices is generally adequate. However, we are reviewing the need to increase staffing for some aspects of Systems Engineering in the Office of Technical Assistance.

Senator Andrews: Please provide a summary of the number of employees and their GS levels which were formerly responsible for the programs listed below. Include also the number and GS level of employees currently responsible for these programs. If those currently responsible have duties beyond those formerly associated with the positions, please indicate roughly the percentage of their time not directly associated with the subject area listed:

WMATA

Environmental Review

Alternative Analysis

AGRT

Magnetic Levitation

Response: Attached

Subject Area: WMATA

Pre-Reorganization

List of Positions Responsible	Percent of Time Not Directly Associated
Supervisory Urban Mass Transportation Representative, GM-2101-15	0%
General Engineer, GM-801-14	0%
Program Assistant, GS-301-7	0%
Secretary (Typing), GS-318-7	0%

Total: 4 Man-Years directly associated.

Post-Reorganization

List of Positions Responsible	Percent of Time Not Directly Associated
Transportation Program Specialist, GM-2101-14 (In addition to receiving staff support from other UMTA offices as required)	0%

Total: 1 Man-Year directly associated; however, the combination of technical support in the way of engineering, program, budget and clerical and the direct management oversight provided by the Office of the Deputy Administrator is equivalent to another two man years. The total is therefore 3 Man-Years.

Subject Area: Environmental Review

Pre-Reorganization

List of Positions Responsible	Percent of Time Not Directly Associated
Program Analysis Officer, GM-345-15	75%
Operations Research Analyst, GS-1515-14	60%
Supervisory Environmental Protection Specialist, GM-028-14	0%
Environmental Protection Specialist, GS-028-13	0%
Environmental Protection Specialist, GS-028-11	0%
Community Planner, GS-020-13	50%
Community Planner, GS-020-13	50%

Total: 4.65 Man-Years directly associated.

Post-Reorganization

List of Positions Responsible	Percent of Time Not Directly Associated
Supervisory Community Planner, GM-020-15	75%
Community Planner, GS-020-14	85%
Environmental Protection Specialist, GS-028-13	0%

Total: 1.40 Man-Years directly associated. It should be noted that plans are in process to delegate lead responsibility to the regional offices and approval authority for most reviews.

Subject Area: Alternative Analysis

Pre-Reorganization

List of Positions Responsible	Percent of Time Associated with Other Subjects
Supervisory Community Planner, GM-020-14	50%
Community Planner, GS-020-14	25%
Community Planner, GS-020-13	25%
Community Planner, GS-020-13	25%
Operations Research Analyst, GS-1515-14	25%
Community Planner, GS-020-13	50%

Total: 4.00 Man-Years directly associated.

Post-Reorganization

List of Positions Responsible	Percent of Time Associated with Other Subjects
Supervisory Community Planner, GM-020-15	75%
Community Planner, GS-020-13	0%
Community Planner, GS-020-14	50%
Operations Research Analyst, GS-1515-14	75%
Operations Research Analyst, GS-1515-14	75%
Civil Engineer, GS-810-14	75%
Transportation Systems Analyst, GS-2101-13	75%
Transportation Planning Specialist, GS-2101-13	25%
Supervisory Transportation Industry Analyst, GM-2110-15	50%

Total: 4.00 Man-Years directly associated.

Subject Area: AGRT/MAGLEV

Pre-Reorganization

List of Positions Responsible	Percent of Time Not Directly Associated
Director, New Systems and Automation Division, ES-801	25%
Transportation Systems Engr., GS-2101-14	0%
Supervisory Electrical Engineer, GM-805-15	25%
Electrical Engineer, GS-805-14	0%
General Engineer, GS-801-15	0%
General Engineer, GS-801-14	75%

Total: 4.75 Man-Years directly associated plus staff support from the Transportation Systems Center.

Post-Reorganization

List of Positions Responsible	Percent of Time Not Directly Associated
General Engineer, GM-801-15	80%
General Engineer, GM-801-15	0%
General Engineer, GS-801-14	0%
General Engineer, GS-801-13 (on detail)	0%
General Engineer, GS-801-12	0%
Operations Research Analyst, GS-1515-14	50%

Total: 4.70 Man-Years directly associated plus increased staff support from the Transportation Systems Center. In addition, we will provide part-time assistance from other staff members with substantial AGRT experience.

REORGANIZATION AND REDUCTIONS IN FORCE

Senator Andrews: Have you begun to fill the vacancies in the regional offices? What are some of the barriers to filling the positions in the regional offices? Do you intend to give terminated Washington staff first priority for these positions? By what date will all 185 field positions be filled?

Response: Vacancies in the regional offices are being filled and are one of the Administrator's highest priorities. The major barrier to filling regional vacancies is locating highly qualified candidates and getting them certified by the Office of Personnel Management (OPM). Many times, OPM registers are closed due to a large supply of candidates who are minimally qualified for UMTA vacancies. Past, as well as current, hiring freezes are barriers to filling vacancies also.

Employees were asked to consider transferring to vacancies in UMTA regional offices prior to the RIF. Employees separated by RIF were given priority consideration for the vacancies in the regional offices, however, separated riffed employees were unwilling or reluctant to relocate. Three separated employees have been rehired to work in regional offices. The current Department of Transportation (DOT) freeze on outside hiring requires that an exception be approved before rehiring any former employees.

Due to the high rate of attrition in the regional offices and the lack of available candidates within the agency willing to relocate, no specific date can be cited as to when all vacancies will be filled. However, we project that with the exception of a few hard to fill positions, most will be filled by the end of the third quarter of FY 1982.

FUNCTIONAL COMPARISON

Senator Andrews: You said, as was mentioned before, that none of the functions were eliminated. You did not, however, mention which functions were shifted from one office to another. Please provide a functional chart and statement clarifying the responsibilities and organizational location of each office, bureau, and division.

Response: A functional chart, illustrating the rearrangement of major responsibilities between the old and new UMTA organization, is provided below:

FUNCTIONS	OLD ORGANIZATION	NEW ORGANIZATION
Correspondence review	Executive Secretariat	Executive Secretariat
Performs special study projects	Executive Secretariat	Executive Secretariat
Coordinates Administrator's calendar	Executive Secretariat	Executive Secretariat
Prepares agenda, oversees Executive Staff assignments	Executive Secretariat	Executive Secretariat
Coordinates grant tracking process	Office of Public Affairs	Executive Secretariat
Answers constituent & Congressional correspondences	All Program Offices	Executive Secretariat

FUNCTIONS	OLD ORGANIZATION	NEW ORGANIZATION
Legal review of grants	Chief Counsel	Chief Counsel
Advises on legal & regulatory matters	Chief Counsel	Chief Counsel
Coordinates new legislation	Chief Counsel	Chief Counsel
Litigation	Chief Counsel	Chief Counsel
Title VI Review	Office of Civil Rights	Office of Civil Rights
EEO Review	Office of Civil Rights	Office of Civil Rights
MBE	Office of Civil Rights	Office of Civil Rights
E&H (504 reg.)	Office of Civil Rights	Office of Civil Rights
News Media responsibilities	Office of Public Affairs	Office of Public Affairs
General public information	Office of Public Affairs	Office of Public Affairs
Grant release responsibilities	Office of Public Affairs	Program offices
Information program	Office of Public Affairs	Office Of Public Affairs
Briefing material preparation & travel itinerary	Office of Public Affairs	Executive Secretariat
FOIA	Office of Public Affairs	Office of Public Affairs
Personnel Management	Administration	Administration
Organization planning and management	Administration	Administration
Accounting	Administration	Office of Financial Management
ADP	Administration	Administration
Contracting/Procurement	Administration	Administration
Administrative Services	Administration	Administration
Section 8 program management	Office of Planning Mgmt. & Demo.	Office of Grants Management
Planning methods; management techniques	Office of Planning Mgmt. & Demo.	Office of Technical Assistance
Operations and marketing projects	Office of Planning Mgmt. & Demo.	Office of Technical Assist.
Section 6 demonstrations of improved methods techniques & services	Office of Planning Mgmt. & Demo.	Office of Technical Assist.
Major EIS	Office of Planning Mgmt. & Demo.	Office of Grants Management
Urban Transportation Planning System (UTPS)	Office of Planning Mgmt. & Demo.	Office of Technical Assist.
UMTA Transit Research Information Center	Office of Planning Mgmt. & Demo.	Office of Technical Assist.
Alternative Analysis	Office of Planning Mgmt. & Demo.	Office of Grants Management
Section 10 projects	Office of Planning Mgmt. & Demo.	Office of Technical Assist.

FUNCTIONS	OLD ORGANIZATION	NEW ORGANIZATION
Policy Development	Office of Policy, Budget & Program Development	Office of Budget & Policy
Program evaluation	Office of Policy, Budget & Program Development	Office of Budget & Policy
Multi year resource allocation	Office of Policy, Budget & Program Development	Office of Budget & Policy
Legislative agenda testimony	Office of Policy, Budget & Program Development	Office of Budget, and Policy
Budget formulation	Ofc. of Policy, Budget & Program Development	Ofc. of Budget and Policy
Budget execution	Ofc. of Policy, Budget & Program Development	Ofc. of Financial Management
Section 11 program	Ofc. of Policy, Budget & Program Development	Ofc. Technical Assistance
Maintain Financial Mgmt. Syst.	_____	Ofc. of Financial Management
Program plan oversight	_____	Ofc. of Budget & Policy
Develop regulations	Office of Policy, Budget & Program Development	Office of Budget and Policy
Review regulations	Office of Policy, Budget & Program Development/Office of Chief Counsel	Office of Budget and Policy/Office of Chief Counsel
Long range fiscal plans	Ofc. of Transit Assistance	Ofc. of Budget & Policy
Section 3,5,16(b)(2), 18,20,21, and 22, Title 23.	Office of Transit Assistance	Ofc. of Grants Mgmt.
Project management oversight	Office of Transit Assistance	Ofc. of Grants Mgmt.
Relocation, cost allocation	Ofc. of Transit Assistance	Ofc. of Grants Mgmt.
Engineering support	Ofc. of Transit Assistance	Ofc. of Technical Assistance
Some procurement reviews	Ofc. of Transit Assistance	Office of Administration/Office of Grants Mgmt.
Develop and administer regional program plans	Ofc. of Transit Assistance	Ofc. of Grants Mgmt.
Technical Assistance guidance	Ofc. of Transit Assistance	Ofc. of Technical Assistance

FUNCTIONS	OLD ORGANIZATION	NEW ORGANIZATION
Bus systems; rail systems	Office of Technology Development & Deployment	Ofc. of Technical Assistance
New technology	Office of Technology, Development & Deployment	Office of Technical Assistance
Transit system safety; safety training	Ofc. of Technology, Development & Deployment	Ofc. of Technical Assistance
Improvements in new facilities and equipment	Ofc. of Technology, Development & Deployment	Ofc. of Technical Assistance
Manages certain R&D funds	Ofc. of Technology Development & Deployment	Ofc. of Technical Assistance
Nat'l Cooperative Transit Research Program	Ofc. of Technology Development & Deployment	Ofc. of Technical Assistance

The UMTA Headquarters Offices have been reconfigured under the new organization in the following way:

- The Office of Financial Management was established and includes the former Office of Accounting (transferred from the Office of the Associate Administrator for Administration).
- The Office of Planning Assistance (formerly under the Associate Administrator for Planning Management and Demonstrations) was transferred to the Office of the Associate Administrator for Grants Management (formerly the Office of Transit Assistance).
- The Offices of Planning Methods and Support, Service and Methods Demonstrations, and Transportation Management (formerly under the Associate Administrator for Planning Management and Demonstrations) were transferred to the new Office of the Associate Administrator for Technical Assistance (formerly the Office of Technology, Development and Deployment).
- The Office of Policy Research, University Research Program (formerly under the Office of the Associate Administrator for Policy, Budget and Program Review) was transferred to the new Office of the Associate Administrator for Technical Assistance.
- The former Associate Administrator for Policy, Budget and Program Development was internally restructured by combining the Office of Budget and the Office of Program Evaluation into a single sub-unit and by transferring the former Office of Policy Research to the new Associate Administrator for Technical Assistance. In addition, the Associate Administrator was retitled the Associate Administrator for Budget and Policy.

REORGANIZATION AND REDUCTIONS IN FORCE

Senator Andrews: The committee has reviewed the chart provided in your reorganization materials that reflects the gender, race, and type of employee (professional/clerical) that has been separated. What efforts did UMTA make to prevent a disproportionate number of separations coming from one particular group? Please provide a table showing the above information for those employees terminated at UMTA.

Response: RIF is primarily a years of service and veterans preference based system and, therefore, little can be done to prevent its impact on minority and female employment. These employees are usually most vulnerable since they tend to be the most recent hires. The table below reflects UMTA's RIF separations:

	Minority		Nonminority	
	Male	Female	Male	Female
Total (38)	3	12	12	11
Professional (25)	2	2	11	10
Nonprofessional (13)	1	10	1	1

Senator Andrews: We noted with interest that 48 percent of your workforce was female and yet, 68 percent of the separated employees were female. What impact have your reductions had on goals to enhance the status of women in the workplace? What was the impact on other minority groups?

Please review the total composition of the workforce at UMTA and forward a brief review of the impact of the recent reductions on that composition.

Response: The reorganization/RIF did not impact severely on minority employment levels in UMTA. Professional female employment dropped two percent, nonminority male employment increased one percent, and minority male employment increased one percent. Pre and post reorganization/RIF minority comparisons are attached.

Headquarters Minority Comparison

	Native American	Oriental	Black	Hispanic	Other
Pre-Reorganization/RIF	1%	2%	38%	3%	56%
Post-Reorganization/RIF	1%	2%	39%	2%	56%

Headquarters Minority/Female Statistics

Pre-RIF

Number
(Percent by Professional/Nonprofessional Category)

	Minority		Nonminority		Total
	Male	Female	Male	Female	
Total	46 (13)	110 (31)	138 (39)	63 (17)	357 (100)
Professional	44 (16)	43 (16)	137 (51)	47 (17)	271 (100)
Nonprofessional	2 (2)	67 (78)	1 (1)	16 (19)	86 (100)

Post-RIF

Number
(Percent by Professional/Nonprofessional Category)

	Minority		Nonminority		Total
	Male	Female	Male	Female	
Total	43 (13)	98 (31)	126 (40)	52 (16)	319 (100)
Professional	41 (17)	38 (16)	123 (52)	35 (15)	237 (100)
Nonprofessional	2 (2)	60 (73)	3 (4)	17 (21)	82 (100)

Headquarters Minority/Female Statistics Comparison by Percent of Total Workforce

Pre-RIF

Number (Percent of Total Workforce

	Minority		Nonminority		Total
	Male	Female	Male	Female	
Total	46 (13)	110 (31)	138 (39)	63 (17)	357 (100)
Professional	44 (12)	43 (12)	137 (39)	47 (13)	271 (76)
Nonprofessional	2 (1)	67 (19)	1 (0)	16 (4)	86 (24)

Post-RIF

Number (Percent of Total Workforce)

	Minority		Nonminority		Total
	Male	Female	Male	Female	
Total	43 (13)	98 (31)	126 (40)	52 (16)	319 (100)
Professional	41 (12)	38 (12)	123 (39)	35 (11)	237 (74)
Nonprofessional	2 (1)	60 (19)	3 (1)	17 (5)	82 (26)

SECTION 107

Senator Andrews: A December 1981, NTSB report said that, in the case of a New York subway accident, the "Section 107 Authority (UMTA's safety responsibility) did not operate as intended." That is, it did not "assure the correction of unsafe conditions which create a serious hazard of death or injury." Further NTSB reports that "no other Federal agency has the authority to conduct (rapid rail transit)...safety oversight." Who do you believe has the proper role in rapid rail transit safety, and why?

Response: Section 107 does not really apply to the New York accident, since it is intended for repetitive or broad-based problems, not single incidents. Thus UMTA did not conduct a Section 107 investigation.

Rapid rail transit safety is a local responsibility that is best administered by state and local decisionmakers who are accountable for the safe, effective and efficient operation of their transit systems.

UMTA has a role in rapid rail transit safety, achieved cooperatively with the industry, by administering a program that continues to provide safety training, assistance in system safety reviews, safety research, and technical assistance in the safety areas. These UMTA activities do not preempt state and local safety responsibilities.

WARRANTIES/SAFETY

Senator Andrews: A June 1981 report by the General Accounting Office suggests that bus warranties are, at present, woefully inadequate. The report goes on to suggest that UMTA is aware of the bus problems, but does not assume its performance responsibilities. Could you please explain how UMTA proposes to correct these problems given your current pursuit of the "self-certification" principle for local compliance?

Response: Warranty requirements for bus purchases are written into the specifications prepared by the grantees and advertised for bids. Where defects develop after delivery of equipment, the grantee is protected by the terms of the warranty. It is the grantee's responsibility to enforce the warranties and require the manufacturer to correct the defects. The self-certification process in no way results in any diminution of the grantees responsibilities regarding warranties. The certification only establishes whether or not the grantee has a procurement procedure that meets the requirements of OMB Circular A-102, Attachment "O", and UMTA Circular 4220.1.

WMATA

Senator Andrews: As we are beginning to appropriate "Stark-Harris" funds, we must examine the "Stable and Reliable" requirement regarding the source of local funds. Given the controversial plan that was passed in the last days of the Virginia state session last month, and that "Stable and Reliable" was never really defined by the Department, it seems strange to us that you have never given WMATA your interpretation of what a jurisdiction would have to do to qualify. What is the Department's definition of "Stable and Reliable"?

Response: The Department has been working with WMATA and the jurisdictions to achieve a consensus definition of the "Stable and Reliable" requirements of the Stark Harris legislation. The Department feels that a unilateral, and perhaps proscriptive, definition would restrict the individual jurisdictions in achieving locally acceptable approaches to long term METRO funding commitments.

We will continue to work with local governments, particularly in Virginia, to develop acceptable assurances of Stable and Reliable funding of the METRO program.

Senator Andrews: WMATA is proposing a total of 101 miles of track when the system is completed. Do you agree with their 101 mile system plan?

Response: The Secretary has stated the Department's commitment to completion, within the availability of present funding under Interstate Transfer and Stark Harris, of that portion of the METRO system for which construction has been approved and initiated.

Completion of the balance of the 101 mile system is subject to the future availability of funds and the commitment of State and local governments to the program.

WMATA RAIL CAR PURCHASE

QUESTION: WMATA contracted with Breda to buy 94 cars with an option for an additional 200 cars at the same price. According to information provided the Committee by GAO, UMTA had a role in hampering WMATA's ability to exercise the option for the additional cars. Eventually the additional rail car purchase was made but because of the delay in not exercising the option, the cost increased $16.5 million.

a. Since $14 million of the $16.4 million increase was a Federal expenditure the Committee has considerable concern in UMTA's role. Please describe UMTA's responsibility in this procurement.

b. Does UMTA consider this good management of its resources?

c. Have any steps been taken to correct the situation?

RESPONSE: On June 28, 1979, WMATA awarded a contract to Breda Costruzioni Ferroviarie S.p.A of Italy to manufacture and deliver 94 rapid rail transit cars. This contract award was based on a competitive advertisement which resulted in a low bid by Breda. The advertised bid package, as well as the executed contract, contained an option provision for a one time purchase of an additional 50, 100, 150, or 200 rail cars. This option was to expire on June 28, 1981, according to the executed contract. The provision was designed to accommodate and anticipate a range of Federal funding availability in the two year time frame between June 1979 and June 1981. The range was approximately $40 million to $160 million.

The original 94-car buy was made possible through an UMTA grant given to WMATA on May 21, 1979. This grant did not have provisions for the 200-car option. The grant was made in accordance with WMATA's requests and followed WMATA's construction schedule for that year. The next WMATA request for Federal funds to purchase rail cars was made on December 30, 1980. In accordance with that request, a grant was given to WMATA on January 15, 1981, to purchase up to 70 additional rail cars. This request was based on WMATA's lastest construction schedule for that year, and on the Federal availability of funds, WMATA's next and latest request for 36 additional rail cars was submitted on February 10, 1982. UMTA responded with a grant award on March 31, 1982.

On June 19, 1981, WMATA submitted a request to UMTA to approve a proposed modification to the original 94-car contract. The modification replaced the

original option provisions with provisions allowing a 200 total car buy in four increments. This was designed to more realistically match the availability of proposed Federal funds. The difference in price between WMATA's original option and the new modification was approximately $16 million. On July 6, 1981, UMTA gave approval for the modification.

UMTA did not in any way hamper WMATA's ability to exercise its original option. WMATA made its own decision to re-negotiate the original option provisions at an additional cost of approximately $16 million.

The record clearly shows that UMTA has acted in an expeditious manner in processing WMATA's requests in this matter. UMTA does not intend to change its management practices from that employed in the past on this subject.

SECTION 16(b)(2)

Senator Andrews: To what use have 16(b)(2) funds been put? What types of projects are eligible? Provide a specific list of the projects and their funding levels approved in FY 1980, 1981, and 1982.

Response: The 16(b)(2) program provides funding to private non-profit corporations and associations for the specific purpose of assisting them in providing transportation services for the special needs of the elderly and handicapped. Approximately 600 organizations receive funding from the 16(b)(2) program each year. The program is limited to capital projects including small buses and vans with lifts. These are typically used in a demand responsive mode. Approximately 1200 small buses or vans are purchased through this program each year.

The attached table provides a listing of amounts obligated by the States under the 16(b)(2) program in FY 1979, 1980 and 1981. The program level for FY 1982 is $25 million and the amounts apportioned to each State are attached. The amounts obligated by the States in FY 1982 will not be available until the end of the fiscal year.

State Detail on Grant Programs
Net Obligations -- Dollars in Thousands

	FY 1979	FY 1980	FY 1981
Alabama	500	309	340
Alaska	242	115	115
Arizona	343	374	311
Arkansas	704	604	377
California	2,245	3,305	1,887
Colorado	231	702	292
Connecticut	283	582	261
Delaware	--	--	--
District of Columbia	355	--	316
Florida	924	1,717	866
Georgia	585	--	895
Hawaii	312	75	115
Idaho	288	288	82
Illinois	937	1,730	801
Indiana	465	525	841
Iowa	681	608	377
Kansas	100	582	261
Kentucky	295	392	340
Louisiana	857	421	421
Maine	208	173	381
Maryland	396	319	319
Mass.	509	1,050	764
Michigan	698	794	1,164
Minnesota	404	347	341
Mississippi	612	347	345
Missouri	1,191	835	24
Montana	190	217	239
Nebraska	100	79	68
Nevada	117	141	201
New Hamp.	170	164	176

15-453 O - 83 - 27

	FY 1979	FY 1980	FY 1981
New Jersey	686	741	598
New Mexico	156	166	145
New York	1,581	2,000	1,878
North Carolina	624	850	858
North Dakota	137	177	136
Ohio	1,810	757	757
Oklahoma	361	403	725
Oregon	281	480	314
Pennsylvania	987	1,886	888
Rhode Island	--	496	111
South Carolina	377	296	275
South Dakota	18	317	98
Tennessee	548	720	102
Texas	860	718	840
Utah	84	501	189
Vermont	148	279	126
Virginia	680	723	(29)
Washington	228	638	396
West Virginia	604	261	261
Wisconsin	415	471	753
Wyoming	--	147	280
Guam	--	--	115
Puerto Rico	132	--	476
Virgin Islands	--	--	--
All Other Territories	--	--	--
*Program Support (if applic.)	--	--	--
TOTAL	25,659	29,818	23,212

URBAN MASS TRANSPORTATION ADMINISTRATION

SECTION 16(b)(2) PROGRAM ALLOCATIONS BY STATE

States	FY 82 Allocation
Massachusetts	585,000
Connecticut	321,000
Maine	208,000
Rhode Island	189,000
Vermont	151,000
New Hampshire	170,000
New York	1,680,000
New Jersey	661,000
Puerto Rico	605,000
Virgin Island	133,000
District of Columbia	189,000
Delaware	151,000
Maryland	396,000
Pennsylvania	1,132,000
Virginia	510,000
West Virginia	321,000
Alabama	510,000
Georgia	585,000
Florida	926,000
Kentucky	491,000
Mississippi	434,000
North Carolina	624,000
South Carolina	377,000
Tennessee	548,000
Illinois	1,020,000
Indiana	528,000
Michigan	794,000
Minnesota	434,000
Ohio	963,000
Wisconsin	471,000
Arkansas	377,000
Louisiana	528,000
New Mexico	208,000
Oklahoma	416,000
Texas	1,189,000
Iowa	377,000
Kansas	321,000
Missouri	585,000
Nebraska	265,000
Colorado	283,000
Montana	170,000
North Dakota	170,000
South Dakota	189,000
Utah	189,000
Wyoming	133,000
Arizona	283,000
California	1,774,000
Hawaii	151,000
Nevada	151,000
Guam	131,000
Alaska	133,000
Idaho	170,000
Oregon	302,000
Washington	396,000
GRAND TOTALS	24,998,000

16(b)(2)

Senator Andrews: What are the Administration's future plans regarding the 16(b)(2) Program?

Have legislative proposals been drafted on this subject? Provide details.

Response: We intend to carry out the section 16(b)(2) program largely consistent with past practice. Our legislative proposal provides that the section 16(b)(2) program would continue to be funded out of the section 3 discretionary capital program.

There are two modifications worth noting: In the past, up to 2 percent of section 3 funds was set-aside for 16(b)(2). Since we are proposing to limit section 3 to 10 percent of the capital funds, the percent set-aside for 16(b)(2) no longer is appropriate. Accordingly, we deleted the percents set-aside language and kept language making it clear that section 3 was the funding source.

Also, since we have proposed changes the basic match for all section 3 grants to 50 percent Federal, 50 percent State, and the local change would be applicable to 16(b)(2).

LEGISLATION

Senator Andrews: Please provide a summary of your recent legislative proposal

Response: The Administration's transit bill makes important changes in the structure of Federal transit assistance to begin to shift decision-making responsibility from Federal to State and local authorities. The bill would create a capital formula program for transit assistance and would phase-out transit operating assistance by the end of FY 1984. The proposal would authorize Federal funding for fiscal years 1983 through 1986. Authorizations for the four-year period ending 1986 would total approximatley $9.7 billion.

Capital Assistance

This bill would add a new section 9 to the Urban Mass Transportation Assistance Act of 1964, as amended (UMT Act), and would allocate through this section 90 percent of transit capital funds by formula. The new section would authorize $7.4 billion in capital funds to be distributed through a capital formual program for urbanized areas over 50,000 population. The Federal share for the capital formula program would be 75 percent.

The section 9 formula program funds would be eligible for capital purposes only, including planning, acquisition, construction, deployment of innovative demonstration results, and improvement of facilities and equipment. Capital activities would include the direct costs of spare parts for transit vehicles where the expected service life of the spare part exceeds one year. Federal participation in the cost of spare parts will enhance the ability of transit operators to keep their equipment in service and help to protect the original Federal capital investment in these items. New rail starts and rail extensions would not be eligible activities under section 9.

The capital program funds would be distributed based on a "revenue match" formula. Under this new formula each urbanized area would receive an apportionment equal to its share of the total national non-Federal mass transportation revenues (including State and local assistance).

The bill provides for local self-certification that recipients are meeting a number of existing Federal requirements. This certification process would provide for greater simplicyt and flexibility for State and local governments, and would reduce the complexity of applications and thus the paperwork burden at all levels of government. Finally, the process is consistent with the Administration's philosophy of placing greater responsibility for program implementation at the State and local level.

-- A transfer of responsibility under Section 13(c) from the Secretary of Labor to the Secretary of Transportation, to provide greater flexibility to ensure that these labor protections are administered taking into consideration transportation policy.

-- A change in present procurement requirements which would provide transit authorities with an option of procuring buses pursuant to a new "benchmark pricing" system which would limit the maximum Federal participation in the procurement and give the transit authority greater flexibility and relief from Federal procurement requirements.

SECTION 5

Senator Andrews: Please provide for the record the cities and the respective dollar amounts they received from Section 5.

Response: The attached Federal Register notice dated March 22, 1982 provides a listing of the amounts apportioned under the Section 5 program to all urbanized areas. The listing shows the amount by the four tiers of the program. Tier I and II are for operating and capital, Tier III is for fixed guideway and commuter rail, and Tier IV is for bus capital.

federal register

Monday
March 22, 1982

Part III

Department of Transportation

Urban Mass Transit Administration

Urbanized Area Formula Apportionments

DEPARTMENT OF TRANSPORTATION

Urban Mass Transportation Administration

Urbanized Area Formula Apportionments

AGENCY: Urban Mass Transportation Administration, DOT.

ACTION: NOTICE.

SUMMARY: This Notice:

1. Describes the formula apportionment mechanism of section 5 of the Urban Mass Transportation Act of 1964, as amended.

2. Presents uniform terms for the subcategories of the section 5 program.

3. Provides the apportionment under section 5 for fiscal year 1982. The apportionments presented here are in the format of the uniform terms mentioned above.

FOR FURTHER INFORMATION CONTACT: Edward Fleischman, Office of Program Analysis, UMTA, 400 Seventh Street, SW., Washington, D.C. 20590, Phone: (202) 472-2435.

SUPPLEMENTARY INFORMATION:

I. Background

A program of federal assistance to urban mass transportation systems through grants on a formula basis for capital and operating assistance was enacted November 26, 1974 as Section 5 of the Urban Mass Transportation Act of 1964, as amended (UMT Act). An aggregate amount of $10.5 billion was authorized for this program for fiscal years 1975 through 1981. The Department of Transportation and Related Agencies Appropriation Act, 1982 (Pub. L. 97-102) appropriated $1,365,250,000 for apportionment in fiscal year 1982.

II. Previous Apportionment Mechanism

The legislation in effect from fiscal years 1975 through 1978, section 5(b)(1) of the Urban Mass Transportation Act of 1964, as amended, directed the Secretary of Transportation to apportion authorized funds "on the basis of a population and population density formula" as follows:

A. One-half of the funds apportioned according to population. Each urbanized area's share is proportional to the ratio of that area's population to the total population of all urbanized areas.

B. The other half of the funds are apportioned according to the product of population and population density. Each urbanized area's share is proportional to the ratio of the product of population and population density for that area to the total of the products of population and population density for all the urbanized areas.

III. Current Apportionment Mechanism

The Surface Transportation Assistance Act of 1978 changed the formula for the operating assistance program. Section 5(a) of the UMT Act, as amended, (the "Act") directs the Secretary to apportion the funds appropriated to the urbanized areas on the basis of several factors. These factors, and the amount attributable to each in fiscal year 1982, are as follows:

A. Under paragraph (a)(1) of section 5 of the UMT Act, $791,105,769 is to be apportioned among all the urbanized areas on the basis of their populations and population densities. These funds are available for capital or operating purposes, are apportioned by population and population density as in the previous legislation, and are referred to in the uniform terms as the "First Tier" or "Tier I."

B. Under paragraph (a)(2) of section 5 of the UMT Act, $158,221,154 is to be apportioned on the basis of population and population density. These funds are referred to in the uniform terms as the "Second Tier" or "Tier II." These funds, which are available for capital or operating purposes, are apportioned as follows:

1. 85% of the funds are apportioned among urbanized areas with populations greater than 750,000. Each urbanized area's share is determined in a manner identical to that described in III A, with the exception that the population and population density of each such urbanized area is compared to the totals for these urbanized areas over 750,000 population instead of for all urbanized areas in the country.

2. 15% of the funds are apportioned among urbanized areas with populations less than 750,000. Each such urbanized area's share is determined in a manner identical to that described in III A, with the exception that population and population density of each such urbanized area is compared to the totals for these urbanized areas under 750,000 population instead of for all urbanized areas in the country.

C. Under paragraph (a)(3) of section 5 of the UMT Act, $86,302,448 is to be apportioned among all the urbanized areas on the basis of their fixed guideway and commuter rail route mileages and commuter rail train mileages. These funds, including both fixed guideway and commuter rail amounts, are referred to in the uniform terms as the "Third Tier" or "Tier III." Data used to determine these appropriations are supplied by the Metropolitan Planning Organizations of the urbanized areas, pursuant to the reporting requirements presented in 49 CFR Part 630, Subpart D.

These funds, which are available for capital and operating expenses related to both fixed guideway and commuter rail systems, are apportioned as follows:

1. Two thirds of the appropriation is to be apportioned based upon the commuter rail service serving each urbanized area. No single eligible state's portion of an urbanized area shall receive more than 30% nor less than ½ of 1% of the amount apportioned under this subcategory. The funds are apportioned as follows:

a. One-half of this amount is to be apportioned according to commuter rail route miles. Each eligible urbanized area's share is proportional to the ratio of the commuter rail route miles operated within or serving the areas to the total of all such commuter rail route miles operated within or serving all the urbanized areas.

b. One-half of this amount is to be apportioned according to commuter rail train miles. Each eligible urbanized area's share is proportional to the ratio of the commuter rail train miles operated within or serving the area to the total of all such commuter rail train miles operated within or serving all the urbanized areas.

2. The remainder of the amount appropriated is to be apportioned according to the number of fixed guideway route miles in each urbanized area. Each eligible urbanized area's share is proportional to the ratio of the fixed guideway route miles (excluding commuter rail) within the urbanized area to the total of all such fixed guideway route miles in all urbanized areas. No single urbanized area shall receive more than 30% of amount apportioned under this subcategory.

D. Under paragraph (a)(4) of section 5 of the UMT Act, $329,620,629 is to be apportioned among all the urbanized areas on the basis of their population and population densities, in the same manner as described in III A above. These funds are available only for the purpose of buses and related equipment, or the construction of bus related facilities. These funds are referred to in the uniform terms as the "Fourth Tier" or "Tier IV". This apportionment procedure is consistent with previous practice. The current authorization legislation, the UMT Act, does not specify an apportionment mechanism beyond fiscal year 1980. Lacking Congressional instruction on this matter, the decision was made to follow, for fiscal year 1982, the precedent set for

Tier IV apportionments in fiscal years 1979, 1980, and 1981.

IV. Apportionment for Fiscal Year 1982

This Notice contains the apportionment for fiscal year 1982. Values are presented in the format of the uniform terms described in III, above. The funds shown in this notice will remain available to be granted by UMTA for three fiscal years following the close of fiscal year 1982.

The Third Tier apportionments were determined on the basis of certified data submitted to UMTA by the urbanized areas under the reporting requirements set forth in 49 CFR Part 630, Subpart D.

The fiscal year 1979 apportionments of Third Tier funds, presented in the **Federal Register** of September 20, 1979 (44 FR 54662), reflect incorrect data reported by several urbanized areas. This incorrect data resulted in reduced apportionments in fiscal year 1979 for all the other urbanized areas receiving Third Tier apportionment. Corrected fiscal year 1979 apportionments, utilizing data received at that time, were calculated for all urbanized areas and compared with the amounts published in 44 FR 54662. The differences between these corrected apportionments and the amounts published in 44 FR 54662 were determined and the excesses and deficiencies were added to the fiscal year 1980 apportionments published in the **Federal Register** of December 20, 1979 (44 FR 75580). The same situation has prevailed for fiscal years 1980 and 1981. Corrections to the data from some urbanized areas used to compute the fiscal year 1981 apportionments, as well as further corrections to data used to compute the fiscal year 1979 and 1980 apportionments, have been received. These corrected data have been used to recalculate the fiscal year 1979, 1980, and 1981 apportionments for all urbanized areas.

The differences between these most recently corrected apportionments and the previously published apportionments have been determined, and further corrections necessary have been made by adding the appropriate excesses and deficiencies to the apportionments presented here for fiscal year 1982. Thus, the values presented here are the fiscal year 1982 apportionments with the resulting adjustments for fiscal years 1979, 1980, and 1981, and subject to other statutory and regulatory limitations, are available for grants. Grants already awarded for fiscal years 1979, 1980, and 1981 apportionments are not affected, and any funds remaining from the previously published fiscal year 1979 (44 FR 54662), 1980 (44 FR 75580), and 1981 (45 FR 75144) apportionments are still available.

Amounts apportioned to urbanized areas greater than 200,000 in population are available directly to those urbanized areas. Amounts apportioned to urbanized areas under 200,000 in population are available to the Governors of the state(s) in which the urbanized area or a portion of an urbanized area is located. Amounts for these areas are listed under their states and a state total is shown. Such amounts may be allocated among these urbanized areas within each state in a fair and equitable manner by the Governor, utilizing the guidance provided in UMTA Circular 9050.1A section 5 Operating Assistance Application Instructions dated December 21, 1981.

The tables in this Notice are rounded-off to the nearest dollar. In cases where this rounding results in differences in the tables, the controlling apportionments will be urbanized area aggregate for multi-state urbanized areas over 200,000 in population and the state aggregate for urbanized areas under 200,000 in population.

Fiscal year 1975–77 section 5 funds which were not awarded in a grant as of November 6, 1978, (date of enactment of the Surface Transportation Assistance Act of 1978), or which were awarded in a grant by that date and were not used by the grantee (i.e., unspent during the life of the grant and returned to UMTA upon close-out of the project), are no longer available to the urbanized area or Governor to which they were apportioned. The funds in the letter category (granted as of November 6, 1978 and not subsequently used), and fiscal year 1977 and 1978 funds which have never been granted, will be reapportioned among all the urbanized areas. This reapportionment will be conducted and made public at such time as the magnitude of these funds is full determined.

The funds provided for section 5 urban formula grants, under the Department of Transportation and Related Agencies Appropriation Act, 1982 (Pub. L. 97–102), and which are apportioned according to census results, are required to be apportioned and allocated using data from the 1970 decennial census for one-half of the sums appropriated and the remainder apportioned and allocated on the basis of data from the 1980 decennial census. In fiscal year 1982, UMTA operated under continuing resolution (Pub. L. 97–51, Pub. L. 97–85 and Pub. L. 97–92) until December 23, 1981. During that time UMTA made two apportionments, one for $182.3 million using 1970 census data and one for $89.9 million using 1980 census data. The apportionments in this Notice incorporate those initial two apportionments and the apportionment of the remaining $1,093 million. The total fiscal year 1982 apportionments listed in this Notice reflect this balance of 1970 and 1980 census results.

As a result of the 1980 census, a number of new urbanized areas came into existence. These areas are apportioned funds, in fiscal year 1982, only from the portion of apporpriated funds to be apportioned on the basis of the 1980 census. Since these areas were not urbanized areas as a result of the 1970 census, they do not receive apportionments from the portion of appropriated funds to be apportioned on the basis of the 1970 census.

A number of urbanized areas that, as a result of the 1970 census, were in the population category of "under 200,000", are in the "over 200,000" population category as a result of the 1980 census. Because apportionments are made to the state Governors for urbanized areas under 200,000 population, and to the urbanized areas directly for urbanized areas over 200,000 population, those urbanized areas that have changed their population category are listed twice in the apportionment tables: in both the "over 200,000" and "under 200,000" population categories, with the appropriate apportionments indicated for each case.

Further, a number of urbanized areas have been merged, or split, as a result of the 1980 census. In such cases, the individual components are shown in the apportionment tables with the amounts apportioned directly to them (or the Governors of their states) under the appropriate census basis. The merged urbanized areas are likewise shown in the tables, with the amounts apportioned to them under the appropriate census basis.

V. Third Tier Data Audit Reports

As stated in 49 CFR Part 630 Subpart D, Appendix A, published in the December 18, 1978 **Federal Register** (43 FR 58928), an audit of the fixed guideway and commuter rail data used in calculating the Section 5 Third Tier funds is required. After the publication of the Third Tier apportionments based upon the submitted data, but prior to receipt of the audit report, one half of the Third Tier amounts apportioned to each area will be available. If the urbanized area's audit report confirms the data submitted, the remaining half of the Third Tier funds will be made available to that area. If the audit report provides data which would have caused

an apportionment greater than the amount actually apportioned, the amounts made available will be limited to that actually apportioned. If the audit report provides data which is less than the amount actually apportioned, only the amount resulting from the data verified by the audit report will be made available. Excess funds resulting from such a restriction will be added to the total amount for the next year's apportionment to all areas in this category.

Dated: March 16, 1982.

Arthur E. Teele, Jr.,

Administrator.

BILLING CODE 4910-57-M

FISCAL YEAR 1982 UMTA SECTION 9 FORMULA APPORTIONMENTS
AMOUNTS APPORTIONED TO URBANIZED AREAS OVER 200,000 POPULATION (DOLLARS)

URBANIZED AREA	APPORTIONMENT BASIS			
	Tier I	Tier II	Tier III	Tier IV
	Operating and Capital Support Sect. 9 (a) (1)	Operating and Capital Support Sect. 9 (a) (2)	Fixed Guideway and Commuter Rail Support Sect. 9 (a) (3)	Bus Capital Support Sect. 9 (a) (4)
Akron, Ohio	2,724,087	287,032		1,133,013
Albany—Schenectady—Troy, New York	2,639,218	251,840		1,089,852
Albuquerque, New Mexico	1,826,848	178,932		781,171
Allentown—Bethlehem—Easton, PA—NJ	2,186,833	218,245	649,074	902,412
(Part: New Jersey)	150,157	15,181	391,400	62,584
(Part: Pennsylvania)	2,015,676	203,064	257,674	839,848
Ann Arbor, Michigan	578,776	57,725		240,318
Atlanta, Georgia	6,686,489	1,692,172	508,939	2,788,729
Augusta, Georgia—South Carolina	527,395	49,445		219,743
(Part: Georgia)	413,079	38,728		172,113
(Part: South Carolina)	114,316	10,718		47,631
Aurora—Elgin, Illinois	666,221	66,422	305,487	277,170
Austin, Texas	1,736,722	172,187		723,203
Bakersfield, California	624,224	62,879		260,088
Baltimore, Maryland	10,843,314	2,865,813	721,389	4,520,455
Baton Rouge, Louisiana	1,514,358	148,032		630,970
Birmingham, Alabama	2,785,305	268,384		1,180,520
Boston, Massachusetts	15,964,703	3,956,861	6,788,838	6,860,156
Bridgeport, Connecticut	2,155,502	212,124	283,536	898,107
Buffalo, New York	7,048,711	1,726,754		2,939,089
Canton, Ohio	1,332,395	132,385		566,153
Charleston, South Carolina	1,266,033	120,727		528,336
Charlotte, North Carolina	1,528,523	147,884		636,036
Chattanooga, Tennessee—Georgia	1,119,595	104,469	39,074	469,059
(Part: Georgia)	150,884	14,103		62,867
(Part: Tennessee)	967,980	90,366	39,074	403,192
Chicago, Illinois—Northwestern Indiana	48,010,007	11,717,841	14,300,178	20,003,786
(Part: Illinois)	46,285,451	11,041,586	13,101,080	18,868,560
(Part: Indiana)	2,724,556	676,255	1,199,118	1,135,226
Cincinnati, Ohio—Kentucky	6,172,586	1,538,971		2,571,899
(Part: Kentucky)	1,035,436	256,924		431,423
(Part: Ohio)	5,137,151	1,280,047		2,140,476
Cleveland, Ohio	10,185,772	2,537,258	1,408,564	4,236,861
Colorado Springs, Colorado	1,142,953	108,943		478,221
Columbia, South Carolina	1,303,524	125,156		543,124
Columbus, Georgia—Alabama	999,978	92,318		404,149
(Part: Alabama)	114,433	10,705		47,679
(Part: Georgia)	885,545	81,611		356,470
Columbus, Ohio	4,518,382	1,125,747		1,882,820
Corpus Christi, Texas	1,018,707	98,114		424,452
Dallas—Ft. Worth, Texas	5,467,488	1,360,294		2,278,085
Dallas, Texas	3,263,783	823,961		1,355,719
Davenport—Rock Island—Moline, IA—IL	1,323,041	127,514		551,298
(Part: Illinois)	982,096	96,527		246,866
(Part: Iowa)	730,994	70,988		304,570
Dayton, Ohio	3,417,806	337,919		1,424,057
Denver, Colorado	6,919,732	1,718,175		2,863,182
Des Moines, Iowa	1,297,855	124,908		536,596
Detroit, Michigan	25,141,834	6,182,503		10,475,486
El Paso, Texas	2,102,860	207,843		876,173

FISCAL YEAR 1982 UMTA SECTION 9 FORMULA APPORTIONMENTS
AMOUNTS APPORTIONED TO URBANIZED AREAS OVER 200,000 POPULATION (DOLLARS)
(Continued)

URBANIZED AREA	APPORTIONMENT BASIS			
	Tier I	Tier II	Tier III	Tier IV
	Operating and Capital Support Sect. 9 (a) (1)	Operating and Capital Support Sect. 9 (a) (2)	Fixed Guideway and Commuter Rail Support Sect. 9 (a) (3)	Bus Capital Support Sect. 9 (a) (4)
Fayetteville, North Carolina	485,736	43,986		194,053
Flint, Michigan	1,787,801	177,408		744,902
Fort Lauderdale—Hollywood, Florida	4,850,858	887,541		1,837,734
Fort Wayne, Indiana	1,274,286	126,998		530,948
Fort Worth, Texas	1,568,902	148,287		653,699
Fresno, California	1,713,447	172,329		713,822
Grand Rapids, Michigan	1,816,403	178,788		756,819
Greenville, South Carolina	483,270	45,380		201,368
Harrisburg, Pennsylvania	1,325,150	129,846		552,134
Hartford, Connecticut	2,685,038	287,845		1,118,742
Honolulu, Hawaii	3,315,931	340,849		1,381,830
Houston, Texas	10,630,214	2,865,120		4,429,185
Indianapolis, Indiana	3,920,410	983,018		1,833,471
Jackson, Mississippi	548,105	51,189		228,372
Jacksonville, Florida	2,381,875	221,474		992,428
Kansas City, Missouri—Kansas	5,213,808	1,330,368		2,172,375
(Part: Kansas)	1,737,781	438,772		724,052
(Part: Missouri)	3,476,048	891,596		1,448,323
Knoxville, Tennessee	577,182	53,575		240,487
Lansing, Michigan	1,358,838	135,860		566,171
Las Vegas, Nevada	1,617,901	159,401		674,112
Lawrence—Haverhill, MA—NH	1,001,503	98,859		417,284
(Part: Massachusetts)	919,321	89,102		383,043
(Part: New Hampshire)	82,182	7,757		34,242
Little Rock—North Little Rock, Arkansas	1,215,845	118,832		506,508
Lorain—Elyria, Ohio	466,727	43,833		196,299
Los Angeles—Long Beach, California	66,124,567	16,091,151	1,331,664	27,551,332
Louisville, Kentucky—Indiana	4,283,214	734,902		1,794,836
(Part: Indiana)	461,706	81,002		192,373
(Part: Kentucky)	3,821,508	653,900		1,602,262
Madison, Wisconsin	1,138,226	112,991	30,844	474,252
Melbourne—Cocoa, Florida	415,539	38,179		173,304
Memphis, Tennessee—Mississippi—Arkansas	3,956,820	953,914		1,648,841
(Part: Arkansas)	98,829	17,475		28,012
(Part: Mississippi)	77,454	15,511		32,272
(Part: Tennessee)	3,809,737	880,928		1,587,358
Miami, Florida	9,881,429	2,410,822		4,108,844
Milwaukee, Wisconsin	6,392,355	1,803,472		2,663,426
Minneapolis—St. Paul, Minnesota	8,321,388	2,105,900	233,832	3,467,177
Mobile, Alabama	1,185,214	110,878		493,871
Nashville—Davidson, Tennessee	1,974,572	181,983		822,721
New Haven, Connecticut	1,918,388	188,979	283,537	799,312
New Orleans, Louisiana	7,299,812	1,780,810	590,444	3,041,567
Newport News—Hampton, Virginia	1,338,983	126,783		557,898
New York, N.Y.—Northeastern New Jersey	129,826,004	31,334,063	32,529,785	54,009,725
(Part: New Jersey)	28,708,486	7,051,903	7,584,823	11,960,780
(Part: New York)	100,919,518	24,282,149	24,945,162	42,048,935
Norfolk—Portsmouth, Virginia	3,387,485	595,772		1,411,415
Ogden, Utah	420,384	40,191		178,908
Oklahoma City, Oklahoma	2,728,365	256,009		1,136,786

FISCAL YEAR 1982 UMTA SECTION 5 FORMULA APPORTIONMENTS
AMOUNTS APPORTIONED TO URBANIZED AREAS OVER 200,000 POPULATION (DOLLARS)
(Continued)

URBANIZED AREA	APPORTIONMENT BASIS Tier I Operating and Capital Support Sect 5(a)(1)	Tier II Operating and Capital Support Sect 5(a)(2)	Tier III Fixed Guideway and Commuter Rail Support Sect 5(a)(3)	Tier IV Bus Capital Support Sect 5(a)(4)
Omaha, Nebraska—Iowa	2,783,090	277,587		1,158,597
(Part: Iowa)	285,170	25,368		110,485
(Part: Nebraska)	2,517,920	252,218		1,048,112
Orlando, Florida	2,055,122	186,991		866,283
Oxnard—Ventura—Thousand Oaks, California	1,590,808	155,793		862,823
Pensacola, Florida	450,386	42,146		187,657
Peoria, Illinois	1,240,008	119,980		818,858
Philadelphia, Pennsylvania—New Jersey	28,239,824	6,804,295	11,434,231	11,788,268
(Part: New Jersey)	4,411,381	1,091,121	1,288,361	1,838,038
(Part: Pennsylvania)	23,828,242	5,813,174	10,147,850	9,928,230
Phoenix, Arizona	5,499,449	1,388,938		2,291,990
Pittsburgh, Pennsylvania	9,842,721	2,460,248	1,800,546	4,101,049
Portland, Oregon—Washington	5,118,847	1,278,079	47,302	2,132,809
(Part: Oregon)	4,828,349	1,152,702	47,302	1,927,808
(Part: Washington)	492,498	123,377		205,203
Providence, Rhode Island—Massachusetts	4,433,748	1,134,858	575,348	1,847,357
(Part: Massachusetts)	293,988	74,041	287,674	122,493
(Part: Rhode Island)	4,139,760	1,030,815	287,674	1,724,865
Raleigh, North Carolina	478,981	45,860		198,738
Richmond, Virginia	2,269,981	221,275		945,808
Rochester, New York	3,825,675	367,871		1,510,867
Rockford, Illinois	1,137,980	113,532		474,149
Sacramento, California	3,821,954	994,858		1,582,448
Salt Lake City, Utah	2,878,156	280,431		1,199,207
San Antonio, Texas	4,757,853	1,185,867		1,982,315
San Bernardino—Riverside, California	2,981,396	284,577		1,242,223
San Diego, California	7,923,632	1,971,369	790,580	3,301,445
San Francisco—Oakland, California	20,180,748	4,958,578	3,328,212	8,408,472
San Jose, California	6,999,956	1,728,192	943,799	2,918,588
San Juan, Puerto Rico	8,867,047	2,125,862		3,894,527
Sarasota Bradenton, Florida	1,092,667	104,440		455,268
Scranton—Wilkes Barre, Pennsylvania	932,786	89,547		388,853
Scranton, Pennsylvania	503,724	48,472		209,881
Seattle—Everett, Washington	7,184,518	1,796,505	43,436	2,897,254
Shreveport, Louisiana	1,237,858	120,345		515,879
South Bend, Indiana—Michigan	1,350,567	132,925		562,725
(Part: Indiana)	1,243,236	122,591		518,004
(Part: Michigan)	107,331	10,334		44,720
Spokane, Washington	1,310,213	129,308		545,911
Springfield—Chicopee—Holyoke, MA.—CN	2,386,897	228,456		994,520
(Part: Connecticut)	271,355	26,155		113,082
(Part: Massachusetts)	2,115,541	202,301		881,457
St. Louis, Missouri—Illinois	11,252,883	2,783,239		4,688,526
(Part: Illinois)	1,502,704	378,179		626,114
(Part: Missouri)	9,749,989	2,407,059		4,062,412
St. Petersburg, Florida	3,807,238	888,521		1,502,985
Syracuse, New York	2,228,843	225,078		927,832
Tacoma, Washington	1,826,456	177,726		761,008

FISCAL YEAR 1982 UMTA SECTION 5 FORMULA APPORTIONMENTS
AMOUNTS APPORTIONED TO URBANIZED AREAS OVER 200,000 POPULATION (DOLLARS)
(Continued)

URBANIZED AREA	APPORTIONMENT BASIS Tier I Operating and Capital Support Sect 5(a)(1)	Tier II Operating and Capital Support Sect 5(a)(2)	Tier III Fixed Guideway and Commuter Rail Support Sect 5(a)(3)	Tier IV Bus Capital Support Sect 5(a)(4)
Tampa, Florida	2,261,321	221,367		942,196
Toledo, Ohio—Michigan	2,834,307	261,277		1,097,805
(Part: Michigan)	52,898	5,058		22,040
(Part: Ohio)	2,581,409	256,219		1,075,765
Trenton, New Jersey—Pennsylvania	1,625,868	165,334	765,436	877,408
(Part: New Jersey)	1,504,071	153,201	765,436	828,883
(Part: Pennsylvania)	121,737	12,133		50,723
Tucson, Arizona	1,849,827	192,199		812,411
Tulsa, Oklahoma	1,852,089	178,033		771,879
Washington, D.C.—Maryland—Virginia	17,053,267	4,190,475	3,488,833	7,105,382
(Part: District of Columbia)	7,110,317	1,723,213	926,301	2,962,571
(Part: Maryland)	5,708,929	1,418,019	1,848,956	2,378,871
(Part: Virginia)	4,234,021	1,052,243	995,576	1,764,139
West Palm Beach, Florida	1,944,884	189,722		810,352
Wichita, Kansas	1,597,173	157,374		665,475
Wilkes-Barre, Pennsylvania	808,350	59,854		752,641
Wilmington, Delaware—New Jersey—Maryland	2,098,988	208,299	287,674	874,560
(Part: Delaware)	1,980,531	196,937	287,674	825,204
(Part: Maryland)	20,482	1,993		8,534
(Part: New Jersey)	97,975	9,369		40,822
Worcester, Massachusetts	1,363,889	134,177		568,192
Youngstown—Warren, Ohio	2,099,448	208,084		874,752

FISCAL YEAR 1982 UMTA SECTION 9 FORMULA APPORTIONMENTS

AMOUNTS APPORTIONED TO GOVERNORS FOR URBANIZED AREAS UNDER 200,000 POPULATION (DOLLARS)

URBANIZED AREA	APPORTIONMENT BASIS Tier I Operating and Capital Support Sect. 9 (a) (1)	Tier II Operating and Capital Support Sect. 9 (a) (2)	Tier III Fixed Guideway and Commuter Rail Support Sect. 9 (a) (3)	Tier IV Bus Capital Support Sect. 9 (a) (4)
ALABAMA				
Governors Apportionment for				
Alabama	2,936,874	272,532		1,220,440
(Anniston)	275,277	25,381		114,696
(Auburn-Opelika)	80,513	8,005		37,713
(Decatur)	103,398	9,383		43,052
(Dothan)	92,454	8,229		38,522
(Florence)	278,849	25,725		116,185
(Gadsden)	279,973	25,081		115,403
(Huntsville)	599,739	54,747		249,885
(Montgomery)	797,036	76,746		332,092
(Tuscaloosa)	414,838	39,225		172,752
ALASKA				
Governors Appc. tionment for				
Alaska	988,792	96,091		249,808
(Anchorage)	988,792	96,091		249,808
ARIZONA				
Governors Apportionment for				
Arizona	130,985	12,723		54,578
(Yuma)	130,985	12,723		54,578
ARKANSAS				
Governors Apportionment for				
Arkansas	991,430	91,203		398,921
(Fayetteville-Springdale)	115,312	10,361		48,046
(Fort Smith)	328,752	29,997		136,144
(Pine Bluff)	318,012	31,190		132,502
(Texarkana)	101,353	9,844		42,230
CALIFORNIA				
Governors Apportionment for				
California	7,331,547	738,003		3,084,749
(Antioch-Pittsburg)	407,298	40,886		168,703
(Bakersfield)	508,471	50,548		211,025
(Chico)	118,500	11,381		49,374
(Fairfield)	162,472	15,863		67,995
(Hemet)	125,511	12,011		52,286
(Lancaster)	109,247	10,006		46,519
(Modesto)	767,879	77,270		319,943
(Napa)	163,172	16,319		67,987
(Palm Springs)	123,360	11,140		51,385
(Redding)	101,115	9,220		42,130
(Salinas)	498,801	51,576		207,038
(Santa Barbara)	824,157	83,237		343,382
(Santa Cruz)	445,836	42,393		185,782
(Santa Maria)	142,198	13,911		59,243
(Santa Rosa)	530,328	51,894		220,986
(Seaside-Monterey)	614,301	62,086		256,953
(Simi Valley)	361,480	36,898		150,818
(Stockton)	1,038,511	104,742		433,121
(Visalia)	142,263	13,828		59,283
(Yuba City)	146,899	14,903		62,039
(Yuma)	642	62		267

FISCAL YEAR 1982 UMTA SECTION 9 FORMULA APPORTIONMENTS

AMOUNTS APPORTIONED TO GOVERNORS FOR URBANIZED AREAS UNDER 200,000 POPULATION (DOLLARS)

(Continued)

URBANIZED AREA	APPORTIONMENT BASIS Tier I Operating and Capital Support Sect. 9 (a) (1)	Tier II Operating and Capital Support Sect. 9 (a) (2)	Tier III Fixed Guideway and Commuter Rail Support Sect. 9 (a) (3)	Tier IV Bus Capital Support Sect. 9 (a) (4)
COLORADO				
Governors Apportionment for				
Colorado	1,542,979	154,070		642,894
(Boulder)	484,737	48,893		201,970
(Fort Collins)	186,475	18,086		77,866
(Grand Junction)	123,118	11,842		51,288
(Greeley)	173,147	17,350		72,143
(Pueblo)	575,501	57,119		239,787
CONNECTICUT				
Governors Apportionment for				
Connecticut	4,080,789	403,638	1,134,172	1,864,043
(Bristol)	352,481	33,473		148,984
(Danbury)	324,837	29,867	283,543	135,263
(Meriden)	355,435	33,857		148,066
(New Britain)	737,907	73,562		307,466
(New London-Norwich)	832,503	99,505		383,537
(Norwalk)	540,451	52,736	283,543	226,183
(Stamford)	941,384	92,172	283,543	392,239
(Waterbury)	804,991	78,867	283,543	336,406
DELAWARE				
Governors Apportionment for				
Delaware				
DISTRICT OF COLUMBIA				
Governors Apportionment for				
District of Columbia				
FLORIDA				
Governors Apportionment for				
Florida	4,410,430	417,291		1,837,842
(Daytona Beach)	810,431	86,986		354,341
(Fort Myers)	444,881	41,503		186,280
(Fort Walton Beach)	171,869	15,902		71,536
(Ft. Pierce)	137,847	12,535		57,362
(Gainesville)	418,883	40,148		173,273
(Lakeland)	408,961	38,888		170,393
(Melbourne-Cocoa)	412,407	38,913		171,833
(Naples)	100,087	9,063		41,709
(Ocala)	98,853	9,099		41,189
(Panama City)	186,754	14,464		66,313
(Pensacola)	440,363	43,139		183,493
(Tallahassee)	485,873	44,789		194,028
(Winter Haven)	161,234	14,151		63,013

FISCAL YEAR 1982 UMTA SECTION 9 FORMULA APPORTIONMENTS
AMOUNTS APPORTIONED TO GOVERNORS FOR URBANIZED AREAS UNDER 200,000 POPULATION (DOLLARS)
(Continued)

URBANIZED AREA	APPORTIONMENT BASIS Tier I Operating and Capital Support Sect 9(a)(1)	Tier II Operating and Capital Support Sect 9(a)(2)	Tier III Fixed Guideway and Commuter Rail Support Sect 9(a)(3)	Tier IV Bus Capital Support Sect 9(a)(4)
GEORGIA				
Governors Apportionment for				
Georgia	2,530,886	243,266		1,054,514
(Albany)	374,173	35,547		155,902
(Athens)	130,055	12,141		54,189
(Augusta)	348,393	34,473		145,181
(Macon)	641,204	62,289		267,183
(Rome)	100,247	9,215		41,709
(Savannah)	816,016	78,130		340,000
(Warner Robins)	120,797	11,470		50,331
HAWAII				
Governors Apportionment for				
Hawaii	291,080	29,113		121,131
(Kailua-Kaneohe)	291,080	29,113		121,291
IDAHO				
Governors Apportionment for				
Idaho	877,821	86,088		282,481
(Boise City)	554,777	54,232		231,152
(Pocatello)	123,144	11,836		51,309
ILLINOIS				
Governors Apportionment for				
Illinois	4,774,323	473,780	315,023	1,989,261
(Alton)	440,781	42,386		183,647
(Aurora)	361,986	37,089		159,158
(Beloit)	14,077	1,349		5,865
(Bloomington-Normal)	450,372	45,554		187,851
(Champaign-Urbana)	723,984	75,371		301,854
(Danville)	123,710	11,988		51,545
(Decatur)	517,470	51,580		219,775
(Dubuque)	10,362	998		4,318
(Elgin)	279,117	27,827		116,297
(Joliet)	838,453	82,408	315,023	349,348
(Kankakee)	182,155	18,077		87,563
(Round Lake Beach)	137,576	12,891		57,322
(Springfield)	694,297	68,483		285,119
INDIANA				
Governors Apportionment for				
Indiana	3,145,437	311,544		1,310,572
(Anderson)	356,065	34,006		149,807
(Bloomington)	175,924	17,516		73,300
(Elkhart-Goshen)	186,154	17,718		77,563
(Evansville)	836,203	83,823		349,981
(Kokomo)	163,294	16,276		68,038
(Lafayette--West Lafayette)	518,480	52,508		215,186
(Muncie)	513,138	51,405		213,803
(Terre Haute)	392,178	38,246		163,404

FISCAL YEAR 1982 UMTA SECTION 9 FORMULA APPORTIONMENTS
AMOUNTS APPORTIONED TO GOVERNORS FOR URBANIZED AREAS UNDER 200,000 POPULATION (DOLLARS)
(Continued)

URBANIZED AREA	APPORTIONMENT BASIS Tier I Operating and Capital Support Sect 9(a)(1)	Tier II Operating and Capital Support Sect 9(a)(2)	Tier III Fixed Guideway and Commuter Rail Support Sect 9(a)(3)	Tier IV Bus Capital Support Sect 9(a)(4)
IOWA				
Governors Apportionment for				
Iowa	1,891,291	190,170		828,888
(Cedar Rapids)	641,444	61,781		267,263
(Dubuque)	358,746	35,581		148,641
(Iowa City)	133,279	12,728		56,532
(Sioux City)	368,272	34,561		153,880
(Waterloo)	480,551	45,560		204,382
KANSAS				
Governors Apportionment for				
Kansas	776,384	75,511		323,487
(Lawrence)	135,853	13,371		56,521
(St. Joseph)	4,591	421		1,813
(Topeka)	636,140	61,719		265,053
KENTUCKY				
Governors Apportionment for				
Kentucky	1,752,616	175,093		730,242
(Clarksville)	88,545	8,137		36,060
(Evansville)	53,186	5,229		22,152
(Huntington-Ashland)	256,132	24,984		107,553
(Lexington-Fayette)	1,003,282	100,703		418,028
(Owensboro)	351,491	36,042		146,451
LOUISIANA				
Governors Apportionment for				
Louisiana	1,978,362	189,880		823,467
(Alexandria)	366,030	36,864		160,843
(Houma)	128,851	11,83.		53,887
(Lafayette)	506,051	49,940		210,850
(Lake Charles)	489,726	46,825		204,049
(Monroe)	485,703	44,382		194,038
MAINE				
Governors Apportionment for				
Maine	871,151	80,551		362,873
(Bangor)	109,148	9,430		44,227
(Lewiston-Auburn)	256,467	23,004		108,859
(Portland)	484,906	48,018		202,046
(Portsmouth-Dover-Rochest)	23,632	2,099		9,847
MARYLAND				
Governors Apportionment for				
Maryland	408,857	38,785		170,354
(Annapolis)	146,517	14,033		61,048
(Cumberland)	118,498	11,214		49,780
(Hagerstown)	142,842	13,538		59,516

FISCAL YEAR 1982 UMTA SECTION 5 FORMULA APPORTIONMENTS
AMOUNTS APPORTIONED TO GOVERNORS FOR URBANIZED AREAS UNDER 200,000 POPULATION (DOLLARS)
(Continued)

URBANIZED AREA	APPORTIONMENT BASIS Tier I Operating and Capital Support Sect 5 (a)(1)	Tier II Operating and Capital Support Sect 5 (a)(2)	Tier III Fixed Guideway and Commuter Rail Support Sect 5 (a)(3)	Tier IV Bus Capital Support Sect 5 (a)(4)
MASSACHUSETTS				
Governors Apportionment for				
Massachusetts	4,010,124	385,910	577,509	1,870,851
(Brockton)	879,236	86,988	287,674	380,924
(Fall River)	740,508	74,670		308,539
(Fitchburg-Leominster)	315,246	29,958		131,351
(Lowell)	912,254	90,299	289,831	380,088
(New Bedford)	818,883	83,380		341,111
(Pittsfield)	251,473	23,273		104,778
(Taunton)	93,721	8,362		39,049
MICHIGAN				
Governors Apportionment for				
Michigan	4,092,401	398,125		1,692,833
(Ann Arbor)	578,036	58,276		240,843
(Battle Creek)	371,019	35,708		154,588
(Bay City)	405,788	39,918		168,075
(Benton Harbor)	135,902	12,998		56,625
(Jackson)	387,216	37,397		161,337
(Kalamazoo)	726,219	69,892		302,565
(Muskegon—Muskegon Heights)	480,618	46,850		204,420
(Port Huron)	138,938	13,386		57,869
(Saginaw)	838,663	82,930		345,269
MINNESOTA				
Governors Apportionment for				
Minnesota	1,283,783	122,298		526,556
(Duluth—Superior)	425,586	39,958		177,328
(Fargo—Moorhead)	179,587	17,795		74,831
(Grand Forks)	18,894	1,882		7,872
(La Crosse)	14,736	1,407		6,139
(Rochester)	338,184	34,039		140,889
(St. Cloud)	386,774	28,187		119,487
MISSISSIPPI				
Governors Apportionment for				
Mississippi	1,403,833	133,995		594,918
(Biloxi-Gulfport)	654,189	61,488		272,585
(Hattiesburg)	111,157	10,223		46,315
(Pascagoula-Moss Point)	138,857	11,807		52,773
(Jackson)	511,830	50,397		213,288
MISSOURI				
Governors Apportionment for				
Missouri	1,346,501	127,719		561,030
(Columbia)	283,801	24,535		109,815
(Joplin)	107,856	9,777		44,980
(Springfield)	608,228	57,853		252,569
(St. Joseph)	366,540	35,451		153,547

FISCAL YEAR 1982 UMTA SECTION 5 FORMULA APPORTIONMENTS
AMOUNTS APPORTIONED TO GOVERNORS FOR URBANIZED AREAS UNDER 200,000 POPULATION (DOLLARS)
(Continued)

URBANIZED AREA	APPORTIONMENT BASIS Tier I Operating and Capital Support Sect 5 (a)(1)	Tier II Operating and Capital Support Sect 5 (a)(2)	Tier III Fixed Guideway and Commuter Rail Support Sect 5 (a)(3)	Tier IV Bus Capital Support Sect 5 (a)(4)
MONTANA				
Governors Apportionment for				
Montana	904,598	99,354		376,574
(Billings)	383,007	38,389		163,750
(Great Falls)	382,324	38,189		159,299
(Missoula)	193,265	12,788		95,538
NEBRASKA				
Governors Apportionment for				
Nebraska	824,207	91,387		385,079
(Lincoln)	680,978	87,319		367,067
(Sioux City)	43,229	4,088		18,012
NEVADA				
Governors Apportionment for				
Nevada	654,908	63,837		272,747
(Reno)	654,908	63,837		272,747
NEW HAMPSHIRE				
Governors Apportionment for				
New Hampshire	883,788	94,100		408,895
(Lowell)	1,341	132		559
(Manchester)	502,418	49,088		209,337
(Nashua)	320,238	30,669		133,430
(Portsmouth-Dover-Rochest)	159,770	14,191		66,570
NEW JERSEY				
Governors Apportionment for				
New Jersey	944,936	88,183	473,107	393,715
(Atlantic City)	648,778	61,938	473,107	270,318
(Vineland—Millville)	296,158	26,225		123,397
NEW MEXICO				
Governors Apportionment for				
New Mexico	226,561	21,289		94,399
(Las Cruces)	120,036	11,389		50,010
(Santa Fe)	106,535	9,920		44,389
NEW YORK				
Governors Apportionment for				
New York	2,577,329	279,562	229,695	1,199,961
(Binghamton)	888,871	88,203		370,397
(Danbury)	5,014	462		2,088
(Elmira)	387,257	36,461		161,354
(Glens Falls)	107,370	10,084		44,737
(Newburgh)	134,454	12,514		56,021
(Poughkeepsie)	537,841	50,951	229,695	234,012
(Utica-Rome)	816,621	79,839		340,252

FISCAL YEAR 1982 UMTA SECTION 9 FORMULA APPORTIONMENTS
AMOUNTS APPORTIONED TO GOVERNORS FOR URBANIZED AREAS UNDER 200,000 POPULATION (DOLLARS)
(Continued)

URBANIZED AREA	APPORTIONMENT BASIS Tier I Operating and Capital Support Sect. 9 (a)(1)	Tier II Operating and Capital Support Sect. 9 (a)(2)	Tier III Fixed Guideway and Commuter Rail Support Sect. 9 (a)(3)	Tier IV Bus Capital Support Sect. 9 (a)(4)
NORTH CAROLINA				
Governors Apportionment for				
North Carolina	5,261,215	499,913		2,192,128
(Asheville)	371,900	34,721		154,955
(Burlington)	282,479	26,105		117,697
(Concord)	139,482	12,770		58,118
(Durham)	827,276	80,725		281,532
(Fayetteville)	408,288	39,327		189,325
(Gastonia)	430,356	42,149		178,312
(Goldsboro)	110,173	10,342		45,954
(Greensboro)	810,732	79,045		337,798
(Hickory)	117,838	10,704		49,094
(High Point)	423,284	39,784		176,360
(Jacksonville)	136,746	12,532		57,810
(Raleigh)	380,920	36,784		158,713
(Wilmington)	308,161	28,700		128,598
(Winston-Salem)	713,555	67,829		297,305
NORTH DAKOTA				
Governors Apportionment for				
North Dakota				
(Bismarck-Mandan)	587,846	59,019		249,097
(Fargo—Moorhead)	136,186	13,337		57,993
(Grand Forks)	336,391	33,503		140,180
	122,270	12,179		50,945
OHIO				
Governors Apportionment for				
Ohio	3,096,052	300,953		1,289,995
(Hamilton)	468,774	47,570		203,852
(Huntington—Ashland)	140,508	14,112		60,668
(Lima)	350,409	34,116		146,038
(Lorain—Elyria)	453,332	43,066		188,885
(Mansfield)	351,786	33,296		148,586
(Middletown)	188,758	17,597		78,648
(Newark)	111,314	10,557		46,380
(Parkersburg)	38,774	3,813		15,322
(Sharon)	10,395	1,020		4,231
(Springfield)	573,943	53,982		222,472
(Steubenville—Weirton)	229,514	22,124		95,829
(Wheeling)	195,374	19,896		81,404
OKLAHOMA				
Governors Apportionment for				
Oklahoma	580,100	53,291		232,371
(Enid)	103,008	9,273		42,918
(Fort Smith)	7,912	712		3,297
(Lawton)	449,183	43,008		187,158

FISCAL YEAR 1982 UMTA SECTION 9 FORMULA APPORTIONMENTS
AMOUNTS APPORTIONED TO GOVERNORS FOR URBANIZED AREAS UNDER 200,000 POPULATION (DOLLARS)
(Continued)

URBANIZED AREA	APPORTIONMENT BASIS Tier I Operating and Capital Support Sect. 9 (a)(1)	Tier II Operating and Capital Support Sect. 9 (a)(2)	Tier III Fixed Guideway and Commuter Rail Support Sect. 9 (a)(3)	Tier IV Bus Capital Support Sect. 9 (a)(4)
OREGON				
Governors Apportionment for				
Oregon	1,571,903	154,643		654,848
(Eugene)	855,903	84,569		366,819
(Longview)	2,918	274		1,218
(Medford)	123,328	11,934		51,488
(Salem)	589,557	57,866		245,844
PENNSYLVANIA				
Governors Apportionment for				
Pennsylvania	5,283,413	530,326	287,674	2,201,377
(Altoona)	480,171	46,683		200,067
(Erie)	1,092,909	111,446		455,370
(Hagerstown)	1,879	178		783
(Johnstown)	515,267	51,374		214,890
(Lancaster)	716,951	70,829		298,723
(Monessen)	130,828	13,008		57,761
(Reading)	1,042,860	106,138	287,674	434,518
(Sharon)	117,808	11,960		49,085
(State College)	151,340	15,339		63,057
(Steubenville—Weirton)	807	78		336
(Williamsport)	327,551	32,407		136,519
(York)	697,142	69,490		290,470
PUERTO RICO				
Governors Apportionment for				
Puerto Rico	3,036,905	315,393		1,285,351
(Aguadilla)	152,786	15,056		63,864
(Arecibo)	180,252	17,459		75,104
(Caguas)	723,328	74,733		301,380
(Mayaguez)	533,371	54,747		222,233
(Ponce)	1,236,403	132,407		513,157
(Vega Baja-Manati)	210,753	20,902		87,812
RHODE ISLAND				
Governors Apportionment for				
Rhode Island	180,873	17,892		77,445
(Fall River)	84,109	8,110		35,711
(Newport)	121,764	11,782		50,734
SOUTH CAROLINA				
Governors Apportionment for				
South Carolina	1,140,328	107,753		475,125
(Anderson)	104,810	9,767		43,870
(Augusta)	46,878	4,548		20,385
(Florence)	111,242	10,250		46,350
(Greenville)	396,397	38,381		165,182
(Rock Hill)	95,851	9,185		41,820
(Spartanburg)	379,108	35,822		157,958

FISCAL YEAR 1982 UMTA SECTION 5 FORMULA APPORTIONMENTS
AMOUNTS APPORTIONED TO GOVERNORS FOR URBANIZED AREAS UNDER 200,000 POPULATION (DOLLARS)
(Continued)

URBANIZED AREA	APPORTIONMENT BASIS Tier I Operating and Capital Support Sect. 5 (a)(1)	Tier II Operating and Capital Support Sect. 5 (a)(2)	Tier III Fixed Guideway and Commuter Rail Support Sect. 5 (a)(3)	Tier IV Bus Capital Support Sect. 5 (a)(4)
SOUTH DAKOTA				
Governors Apportionment for				
South Dakota	522,391	50,675		217,858
(Rapid City)	114,314	10,915		47,830
(Sioux City)	5,005	463		2,085
(Sioux Falls)	403,073	39,296		167,944
TENNESSEE				
Governors Apportionment for				
Tennessee	1,297,805	120,538		536,575
(Bristol)	55,584	5,013		23,159
(Clarksville)	198,454	18,328		82,587
(Jackson)	99,373	9,151		41,405
(Johnson City)	153,430	14,087		63,929
(Kingsport)	300,357	27,427		125,146
(Knoxville)	480,605	47,531		200,248
TEXAS				
Governors Apportionment for				
Texas	8,134,936	872,407		3,808,145
(Abilene)	382,552	36,002		159,380
(Amarillo)	640,884	61,577		268,186
(Beaumont)	517,857	48,435		215,770
(Brownsville)	404,576	40,504		188,570
(Bryan-College Station)	294,719	27,747		122,797
(Galveston)	311,195	30,396		129,662
(Harlingen-San Benito)	253,291	23,727		105,538
(Killeen)	381,532	36,594		158,968
(Laredo)	517,510	52,853		215,625
(Longview)	137,654	12,875		57,355
(Lubbock)	751,027	71,832		312,922
(McAllen-Pharr-Edinburg)	642,477	63,180		267,893
(Midland)	305,888	29,209		127,451
(Odessa)	481,395	47,499		200,577
(Port Arthur)	495,949	48,088		208,541
(San Angelo)	318,505	30,386		132,708
(Sherman-Denison)	234,058	21,701		97,522
(Temple)	100,203	9,093		41,751
(Texarkana)	169,266	15,886		70,526
(Texas City-La Marque)	367,230	33,018		153,009
(Tyler)	321,810	31,118		134,085
(Victoria)	126,805	12,400		52,751
(Waco)	517,899	47,641		215,704
(Wichita Falls)	458,250	44,078		190,934
UTAH				
Governors Apportionment for				
Utah	1,028,365	98,946		427,858
(Ogden)	392,460	38,380		163,522
(Provo—Orem)	633,935	60,586		264,134
VERMONT				
Governors Apportionment for				
Vermont	160,330	15,023		66,803
(Burlington)	160,330	15,023		66,803

FISCAL YEAR 1982 UMTA SECTION 5 FORMULA APPORTIONMENTS
AMOUNTS APPORTIONED TO GOVERNORS FOR URBANIZED AREAS UNDER 200,000 POPULATION (DOLLARS)
(Continued)

URBANIZED AREA	APPORTIONMENT BASIS Tier I Operating and Capital Support Sect. 5 (a)(1)	Tier II Operating and Capital Support Sect. 5 (a)(2)	Tier III Fixed Guideway and Commuter Rail Support Sect. 5 (a)(3)	Tier IV Bus Capital Support Sect. 5 (a)(4)
VIRGINIA				
Governors Apportionment for				
Virginia	1,978,806	189,350		824,403
(Bristol)	42,424	3,917		18,093
(Charlottesville)	152,950	15,804		66,228
(Danville)	118,561	11,208		49,389
(Kingsport)	18,518	1,714		7,715
(Lynchburg)	344,438	31,988		143,513
(Petersburg-Colonial Heights)	489,848	47,020		204,015
(Roanoke)	805,072	77,700		335,440
WASHINGTON				
Governors Apportionment for				
Washington	1,285,083	122,485		535,432
(Bellingham)	114,493	10,929		47,704
(Bremerton)	141,843	13,442		59,017
(Longview)	113,861	10,881		47,358
(Olympia)	144,359	13,543		60,148
(Richland—Kennewick)	389,902	36,988		162,458
(Yakima)	381,008	37,523		158,749
WEST VIRGINIA				
Governors Apportionment for				
West Virginia	2,127,183	209,728		886,308
(Charleston)	789,150	77,079		328,809
(Cumberland)	5,479	514		2,283
(Huntington-Ashland)	512,439	51,297		213,512
(Parkersburg)	324,348	32,518		135,142
(Steubenville—Weirton)	152,089	14,410		63,389
(Wheeling)	343,679	33,910		143,197
WISCONSIN				
Governors Apportionment for				
Wisconsin	4,090,982	405,731		1,704,541
(Appleton)	772,357	77,473		321,809
(Beloit)	101,886	8,767		42,452
(Duluth-Superior)	112,864	10,081		46,942
(Eau Claire)	155,015	14,618		64,588
(Green Bay)	599,636	58,481		249,843
(Janesville)	122,991	11,915		51,245
(Kenosha)	567,818	56,745		236,585
(La Crosse)	325,849	32,050		135,788
(Oshkosh)	332,353	33,862		138,478
(Racine)	731,355	74,613		304,725
(Sheboygan)	148,722	14,825		61,988
(Wausau)	120,336	11,522		50,139
WYOMING				
Governors Apportionment for				
Wyoming	289,546	28,265		120,842
(Casper)	153,442	15,150		63,933
(Cheyenne)	136,104	13,115		56,709

[FR Doc. 82-7565 Filed 3-19-82; 8:45 am]

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WMATA

Senator Andrews: You referred, in answering Senator D'Amato's question about the problem with WMATA's funding sources, to WMATA's 75 mile operable system. Could you clarify your commitment to construction of the system. Is it a commitment to WMATA's 101 mile system or to anything short of that. Please elaborate and provide a map if your commitment is to any less than a 101 mile system.

Response: The Secretary has stated the Department's firm commitment to the funding of approximately 75 miles of the METRO system. Although the Department believes that any definition of the 75 mile system is the responsibility of WMATA and the compact members, the system presently has in operation 39.12 miles and has substantially completed construction of an additional 33.52 miles. Since this constitutes 72.64 miles completed or under construction, we assume that almost all of the 75 mile is defined.

The Department has not made a commitment to funding the remainder of the system.

ANTIDEFICIENCY VIOLATION

Question: From what accounts are you withholding funds to satisfy your Antideficiency concerns?

Answer: We have set aside a portion of our prior-year, unrestricted, unobligated balances to cover any such contingency.

QUESTIONS SUBMITTED BY SENATOR CHILES

FULL FUNDING CONTRACT FOR DADE COUNTY

Senator Chiles: The Committee is aware of a request made by the Dade County Transit Authority for early resolution of compensation permitted for exceptional costs under the full funding contract. The originally estimated project cost of $867 million has been exceeded and the Committee concurs in the position stated last year that UMTA should not provide funding for these costs overruns. The fact of the overruns has, however, put considerable cash flow pressure on Dade County Transit. What are the prospects for early resolution and payment to Dade County in 1983 of the exceptional cost permitted under the Full Funding Contract? Could UMTA provide payment in 1983 of that portion of the exceptional costs that are not at issue?

Response: UMTA is currently holding discussions with the Dade County Transit Authority on the issue of extraordinary costs permitted under the Full Funding Contract. The FY 1983 budget request does not include any funds for the extraordinary costs on the Miami project. Our current procedure is to provide payment for extraordinary costs after completion of the project. However, we will hold discussions with Dade County to see if an early resolution is possible.

UMTA has structured its budget request to provide the flexibility to transfer an amount not to exceed $25 million either to or from any one subcategory without the need for Congressional approval or a reprogramming request. This provision would enable UMTA to make minor adjustments in order to obligate funds in the most cost-effective manner.

Senator Chiles: Under the Full Funding Contract, a $9 million payment is scheduled for 1984. What are the prospects for making that available in 1983 or some portion of it?

Response: The FY 1983 budget request contains funding at $12.2 million for the Miami project which is under a Letter of Intent and Full Funding Contract. UMTA has requested the flexibility to transfer $25 million either to or from any one subcategory. This flexibility would enable UMTA to obligate funds in the most effective manner and to fund all or part of the $9 million FY 1984 Letter of Intent commitment in FY 1983 if appropriate.

CENTRAL BUSINESS DISTRICT (CBD) CIRCULATOR

Senator Chiles: UMTA has issued a Letter of Intent for the Dade County CBD circulator in an amount in excess of $63 million. What actual grant awards have been made pursuant to this Letter of Intent?

Response: A grant of $25.6 million for the Miami CBD circulator was awarded on March 1, 1982 pursuant to a March 23, 1982 Letter of Intent.

ANTIDEFICIENCY VIOLATION

Senator Chiles: The Committee recently received a report of an antideficiency violation that occurred in 1979 for $1.7 million which also impacts on 1980. Information has been made available to the Committee that another violation occurred in 1981. The 1981 violation relates to UMTA's Administrative office accepting ADP work for which there was no contract. When will the Committee receive the required report for the 1981 Antideficiency violation?

Answer: Since an investigation by the Department's Office of Inspector General is still underway, I have been advised to limit my disclosures in order not to prejudice the outcome of the IG's investigation. He understand that the IG plans to issue a draft report to UMTA at the end of May 1982. However, I believe I can safely report the following basic points to you:

First, by memorandum of February 8, 1982, the Inspector General informed UMTA that his office had identified two sets of transactions that he believed were apparent violations of the Antideficiency Act. In response to the IG's memorandum, UMTA undertook a review to determine whether an actual violation had occurred.

Second, the fundamental question under the Antideficiency Act is whether UMTA incurred expenditures or obligations in excess of or in advance of appropriations. While we will wait for the IG's report before giving final answers, based on the facts presently known to us, I can report that there have not been any expenditures or obligations in excess of or in advance of our appropriations.

Third, the second Antideficiency Act issue involves the question of the acceptance of voluntary service. Again, a determination on whether UMTA has received voluntary service will have to wait upon completion of the IG's report. This issue raises complicated legal and factual questions regarding the intent of the provider of services, timing of billings and anticipation of future consideration. However, the evidence presently available to us is insufficient to support a determination that a violation of the Antideficiency Act has occurred.

If it should be determined that an Antideficiency Act violation did, in fact, occur, we will report it promptly to the President and to the Congress, as required by the Act.

Senator Chiles: Is UMTA likely to have another violation in 1982?

Answer: No. We believe a recurrence would be highly unlikely because of the stringent financial controls we now have throughout the agency on all of our administrative costs. We have established accountability for funds through a new system of financial control by cost centers and object classes in an effort to prevent any Antideficiency Act violation; if one were to occur despite the controls, we should be able to discover it, fix responsibility and take corrective action promptly.

REORGANIZATION AND REDUCTIONS IN FORCE

Senator Chiles: How many employees received separation notices for the RIF back in February? How many were actually separated? Why were so many hired back?

Response: Fifty-six employees received separation notices. Thirty-eight employees were actually separated. After the initial RIF action, some employees declined their position offers. These positions were then offered and accepted by others initially notified of separation by RIF. In addition, a review of newly established positions resulting from the reorganization was made and RIFFed employees were chosen, based on their qualifications, to fill some of those vacancies, including temporary vacancies. These employees were never actually separated, but were reassigned to their new positions and, thus, were not technically "hired back."

Senator Chiles: Why was any employee separated from Federal service if you had positions open in headquarters, positions open in the regions, Section 6 funds available for salary use and some unrestricted cash left over in the Administrative Expense Account?

Response: UMTA's RIF was the result of a reorganization of the entire UMTA headquarters to more efficiently carry out our statutory functions consistent with the needs of our transit constituents. This reorganization is the result of a year-long analysis of UMTA's organization and management functions which was initiated in response to the Congress, the Office of the Secretary of DOT, and other Federal agencies and other organizations regarding management shortcomings in UMTA.

The resulting UMTA headquarters reorganization is intended to eliminate duplicate functions, strengthen management efficiency and accountability, and concentrate staff resources where they are most needed without increasing staff size or administrative expenses.

Elimination of duplicate functions resulted in consolidation or elimination of many positions. In addition, UMTA's headquarters ceiling allocation and administrative expenses must allow for the hiring or employees with requisite skills needed in UMTA headquarters which were not present in the old organization. While vacancies existed in UMTA prior to the reorganization/RIF, they were allocated to UMTA regional offices, not to headquarters.

Senator Chiles: Employees separated by UMTA have charged that those separated were singled out for personal, philosophical, or political reasons and that their separations were the result of a "Rigged" RIF process. How does UMTA answer these charges?

Response: The reduction in force which accompanied the reorganization was conducted in accordance with applicable government-wide regulations (5 C.F.R. Part 351) and written guidance from the Office of Personnel Management and the Office of the Secretary of Transportation. Any accusations that you may have heard regarding alleged illegalities or improprieties in the conduct of the RIF are groundless. The Merit Systems Protection Board, the forum established by the Congress to review appeals by employees adversely affected by RIF, is currently reviewing appeals by some of the employees separated or downgraded as a result of UMTA's RIF.

Federal Capital Grants and Bus Maintenance

Senator Chiles: UMTA funds 80% of the costs of new transit buses. Consequently, the out-of-pocket costs to the transit system is at most 20%. A number of States augment the Federal funding and therefore the local cost is frequently less than 20%. In many of these States the local share is 10% or less. There is some concern that Federally funded transit vehicles are not being adequately maintained and poor maintenance has been identified as a problem in many transit systems. With the proposed phase out of Federal operating assistance, all or most of the cost of maintaining transit vehicles will have to be born by the transit systems and the local government they serve. In fact, some transit systems are already in this situation.

a-- Given the fact that maintenance cost are or soon will be born almost entirely at the local level while most of the capital cost of new equipment will not, is there sufficient incentive for transit systems to properly maintain their Federally funded vehicles?

b--Does the low percentage of local funding for transit vehicles create an incentive for transit systems to consider larger vehicle fleets and earlier than necessary replacement of transit vehicles as lower cost substitutes for improving their maintenance programs?

RESPONSE: a) There are several incentives for proper maintenance operations.

The very fact that a greater portion of the total operating cost will be born at the local level is an incentive for transit properties to provide proper maintenance of their vehicles. Inefficient and poor maintenance of transit vehicles would have a direct impact on the overall operating cost and revenues of the transit system. Missed transit trips due to vehicle breakdowns and poor maintenance results in reduced revenue; reduction in service reliability discourages transit usage; and having drivers available but no vehicles to drive results in under-utilization of labor. Additionally, as the price of buses rise, rehabilitation of existing fleets will be more likely. The economics of rehabilitating a well maintained vehicle, as opposed to a poorly maintained vehicle will provide greater local incentive for proper maintenance programs.

EXPANSION OF PEAK-HOUR TRANSIT SERVICE

Senator Chiles: Many mass transit systems have sought to increase ridership by increasing peak-hour service. Icreasing peak-hour service will usually require acquiring more vehicles and hiring more drivers for services that may be operated only 3 to 4 hours per day. However, industry labor practices generally prohibit the use of part-time and thus meeting the drivers needs for new peak-hour services may not be met in the most efficient way. The revenues from expanded peak-hour services are often exceeded by the costs of providing the expanded services and therefore contribute to operating deficits. The cost of providing increased peak-hour services can be minimized if part-time drivers are used. In 1979 California enacted legislation that makes state funding for mass transit conditional on transit operators having a provision in their union contracts that allows them to employ part-time drivers.

(a) Should the Federal government seek to overcome prohibitions against part-time drivers through its mass transit grant program similar to what has been done in California?

Response: We strongly favor the elimination of prohibitions against part-time drivers and believe use of such drivers can contribute to increasing the productivity and reducing the cost of transit service. However, introduction of a Federal mandate concerning part-time drivers would be an unwarranted intrusion into State and local responsibilities. This is an example of the type of Federal regulation that would be required if it became the responsibility of the Federal government to ensure the most efficient operation of local transit services; the recent GAO report on Section 5 operating assistance recommended other similar requirements be imposed. This Administration believes it would be preferable to withdraw the Federal government from involvement in operating assistance so that it is not forced to become involved in the range of local decisions that determine operating costs and deficits.

Recognizing the importance of maintenance, we have included language in our legislative proposal which would allow capital funds to be used for the purchase of spare parts with a useful life longer than a year. We are also emphasizing areas which are an intergral part of maintenance of capital equipment and rolling

stock, such as training of personnel to maintain new equipment, and systems to manage spare parts inventories.

b) The lower percentage of local funding for transit vehicles may indeed create an incentive for some transit systems to consider larger vehicle fleets, and earlier than necessary replacement of vehicles if they feel this would be a lower cost substitute for improving their maintenance programs.

Our proposed legislation contains provisions to ensure against this happening.

The inclusion of the maintenance certfication as part of the new capital formula program is an effort to insure that operating costs are not turned into capital cost by deferring maintenance. The grantee will certify that the capability exists to maintain plant and equipment purchased with UMTA funds. Any reason to doubt the agencies' compliance will be investigated. The Section 15 maintenance data will be a useful tool for monitoring troubled areas.

EXPANSION OF PEAK-HOUR TRANSIT SERVICE

Senator Chiles: What legislative changes would be needed to accomplish this?

Response: One legislative change would be to condition Federal funds on transit operators including a provision in their union agreements allowing them to hire part-time drivers. However, we believe that such a condition in Federal legislation would be an unwarranted intrusion into the State and local decisionmaking process, and we would not favor any Federal mandate in this regard.

Although we feel this should be left as a locally determined issue, we do believe that use of part-time drivers can contribute to increasing productivity and reducing costs.

NEW UMTA AUTHORIZATION

Senator Chiles: In recent briefings provided to the Senate Banking Committee, Senior UMTA officials indicated that once this legislation is passed considerable economies can be achieved and the UMTA program can be carried out with fewer employees.

(a) Since the UMTA budget proposal was developed late last year for transmittal in the President's budget in January and the legislative proposal was just recently developed in final form, what additional reductions can be made to the budget proposal before us once the new legislative proposal passed?

Response: The aggregate level of authorizations for FY 83 included in the proposed legislation is equal to the aggregate level of the FY 83 budget request (except for Interstate Transfers--Transit and Administrative Expenses, which are proposed for open-ended authorizations, and Stark-Harris, which has an existing authorization). Therefore, there are no further budget reductions associated with enactment of the new legislative proposal. FY 1983 would be a transitional year during which new procedures and processes will be implemented. Also, we envision shifts in responsibilities between headquarters and regions. Any possible economies will be in the out years.

ADMINISTRATIVE EXPENSES FOR FISCAL YEAR 1983

Question: UMTA requested over $29 million in Administrative Expenses for Fiscal Year 1983 or $5.2 million more than last year. What reductions should be made to this request if we assume passage of the Transit Assistance Act of 1982?

Answer: The $29.075 million requested for Fiscal Year 1983 assumes a reduction of 10 positions from the current level. As we attempted to explain in the justification, we recognize that previous budget requests for Administrative Expense funds have not been sufficient to support a reasonable level of agency operations without access to additional funds, and that this persistent underfunding has hindered rectifying serious management problems, including those in our automated financial management system. The level requested for Fiscal Year 1983 is intended to provide an adequate level of support for the reduced staff, especially the office technology and systems essential to preserve productivity.

The requested level will still require judicious management, but it will begin to relieve the severe constraints of the past two years.

Even if the Transit Assistance Act of 1982 were passed promptly, there would not be any immediate reduction in staffing and program administration. Resources will be needed for implementation of the new legislation, developing new program guidance, and providing technical assistance to grantees, as well as for managing a large number of categories of grants previously awarded.

In addition, we would still face the need to invest in enhancements to improve the effectiveness and productivity of our staff, through training, office technology, and improved financial management and management information systems. The $29.075 million requested is an absolute minimum.

QUESTIONS SUBMITTED BY SENATOR D'AMATO

BENCHMARK PRICING

Senator D'Amato: The authorization proposal of the Administration calls for "benchmark pricing" for all buses. How does this concept square with the block grant program and the Administration's emphasis on local discretion? It would seem to me, that at least for the block grant proposal of the Administration, or any block grant proposal of anyone else including mine, that this represents unwarranted Federal intrusion into local decision-making. Another section of the Administration's proposal already provides for a streamlined procurement process. It seems to me that, to exempt a procurement from all Federal requirements as proposed in the Administration's section 8, is to invite exclusionary procurement practices, unless you write a specification for a benchmark bus that is so tightly defined as to preclude exclusionary practices. Either way, it seems to me that you have contradicting provisions in the Administration's proposal.

Response: The benchmark price provision is an optional procurement process available to UMTA recipients. It is not a mandatory provision, a recipient may elect to use it. The principal purpose of the provision is to eliminate the existing detailed Federal oversight role in bus procurements. UMTA is or has been involved in almost

every stage of the bus procurement process, from the review of specifications for advanced design buses to the reviewing of protests of bid awards. Under the benchmark price proposal, UMTA would no longer be involved in this local process. This is consistent with the approach we have taken in our legislative proposal to eliminate Federal requirements and to place more responsibility at the local level. We believe the benchmark pricing concept is a major, innovative step toward getting the Federal Government out of the local procurement process. Moreover, the proposal would not invite exclusionary procurement practices since, to take advantage of the benchmark price provision, a recipient must first certify that it has a competitive procurement process in place. The goal of turning more responsibility back to the local level is based at least in part on the belief that local government can handle government business, on its own, in an efficient and honest manner.

CONTRACT OVERSIGHT BY UMTA

Senator D'Amato: The GAO report released on April 20th of this year cited the need for better administration of capital grants, with the goal of reducing unnecessary expenditures on UMTA-funded projects. Although you disputed some of the GAO findings in your response to the report, we are, nonetheless, left with the continuing impression that UMTA doesn't have the staff resources and policy commitment to address such problems. Such UMTA administrative problems are grave concern to this committee.

Please tell us what immediate efforts you can take to address these administrative deficiencies, and have them operative within the next 120 days.

Response: We consider the Department's (i.e. UMTA's) reply to the GAO draft report, as contained in Appendix I to the final report, to be complete and cogent. We do not agree with the Committee's impression "that UMTA doesn't have the staff resources and policy commitment to address such problems," and do not plan efforts other than as described in the reply.

SAFE HARBOR LEASING

Senator D'Amato: Please provide a listing of all leasing done with the local shares of UMTA grants. including grantee, total and net lease sale, and the type of equipment involved in the sale.

Response: There were fourteen transactions involving the local share of UMTA-funded equipment placed in service in 1981 which yielded the following proceeds to the transit authorities:

New Jersey Transit: 244 buses, 6 locomotives, 26 rail cars; $1,906,000

Massachusetts Bay Transportation Authority: 100 rail cars; $2,751,766.34.

Southeastern Pennsylvania Transportation Authority: 65 light rail vehicles; $1,375,000.

Southern California Rapid Transit District: 770 buses; $3,872,000.

Cincinnati: 87 buses; $252,000.

Worcester Regional Transit Authority: 19 buses; $37,779.

Rhode Island Public Transit Authority: 34 buses; $61,887.46.

New York City DOT: 1 ferryboat; (approximately) $600,000.

Bi-State Development Agency (St. Louis, Mo.): 156 buses; $591,772.

AC Transit (Oakland, CA.): 151 buses; $718,217.

TARC (Louisville, KY.): 77 buses; $305,854.

Tucson, Ariz.: 19 buses; $63,000.

Santa Clara, CA.: 251 buses (218 new, 33 rehabilitated); $1,130,203.89.

Houston Texas MTA: 95 rehabilitated buses; $1,300,000.

Domestic vs. Foreign Manufacturing

Senator D'Amato: What percentage of new rolling stock was purchased from firms established in the United States, though not U.S. based, (such as M.A.N. or Bombardier), that are enabling compliance with the Buy America Provisins of the Mass Transit Act? Provide figures for FY 1980, FY 1981, and FY 1982.

What percentage of 1980, 1981, and 1982 funds was used to purchase rolling stock from foriegn manufactures, wherein the procurement properly met the standards for exclusion of "Buy America"?

Response: UMTA's capital budget for FY 80 was $2.6 billion, $2.9 billion for FY 81 and $2.5 billion for FY 82.1/ We are unable to determine in which years the grantees obligate and expend the funds.

- Only M.A.N., Neoplan, and Bombardier have established facilities in the U.S. to comply with "Buy America."
- For FY 80, contracts awarded for rolling stock totalled $623.8 million.2/ $95.4 million or 15% were awarded to these three firms. For FY 81 the figures are $336.1 million of which $103.1 or 30.6% were awarded to these firms. Figures are not yet available for FY 82 funds.

I must clarify your question concerning rolling stock contracts awarded to foreign firms excluding "Buy America." No firm is excluded from "Buy America." However, waivers have been granted in accordance with the Buy American regulations. The waivers have been primarily for the Canadian bus manufacturers in situations where they submitted the only responsive bid or were more than 10% below the lowest domestic bid. For FY 80 this represented $55.7 million or 8.9% of the awards and for FY 81 $39.6 million or 11.8 % of the awards.

1/ Includes Sections 3, 5 (Tier IV), 17, and Interstate Transfer of the UMTA Act.

2/ Based on an average unit price of $140,000 per bus multiplied by the number of buses purchased plus the actual contract awards for rail cars.

Senator D'Amato: What are the identies, current output, capacities and types of rolling stock manufactured by those companies establishing American manufacturing plants that enable compliance with the "Buy America" provisions (such as the already cited M.A.N. and Bombardier)?

Response:

Manufacturers	Current Output	Planned Capacity	Type
Neoplan	2/day	4/day	Articulated, ADB, and New Look
M.A.N.	1.2/day	1.5/day	Articulated
Bombardier	unknown	unknown	Rail Cars

LETTERS OF NO PREJUDICE

Senator D'Amato: What is the current value of outstanding Letter of No Prejudice? What are they for? To whom have they been issued? What has been the actual history of UMTA "honoring or paying off previously issued Letters of No Prejudice?

Response: The attached charts provide a listing of outstanding Letters of No Prejudice issued by UMTA. The charts show the name of the recipient of the letter, a brief description of the work covered under the letter, the date issued, the expiration date, the original amount and the remaining balance.

The remaining balance of Letters of No Prejudice is approximately $970 million. Historically, UMTA has ultimately honored or paid off the Letters of No Prejudice issued, provided the recipients met the conditions stipulated. However, the current Administration's policy is to defer the funding of new start projects under the Section 3 program. Thus, Letters of No Prejudice to Atlanta (approximately $400 million) and to Houston ($24 million) may not be funded. In addition, given current funding levels the historical pattern of honoring Letters of No Prejudice may no longer continue.

OFFICE OF GRANTS MANAGEMENT

Outstanding Letters of No Prejudice

Region	No. Letters	Original Amount	Remaining Balance
WMATA	1	1,835,866	1,835,866
1	0	-0-	-0-
2	6	453,350,000	350,037,638
3	1	82,000,000	13,000,000
4	9	446,735,676	444,969,876
5	0	-0-	-0-
6	3	77,259,000	62,259,000
7	0	-0-	-0-
8	1	---	---
9	1	1,120,000	1,120,000
10	1	18,500,000	8,551,500
TOTALS	23	1,080,800,542	881,773,880

OFFICE OF GRANTS ASSISTANCE

Outstanding Letters of No Prejudice

Region II

Project Number	Grantee	Description	Date Issued	Expiration Date	Original Amount	Remaining Balance	Category
NY-03-0120	NYCTA	300 rapid rail cars	3/2/81	9/30/83	190,000,000	139,757,600	C-1
NY-03-0150	NYCTA	Installation of security fencing (rail yards)	3/12/82	9/30/82	17,000,000	17,000,000	C-1
NY-03-0046	NYCTA	R-46 cars - truck replacement and power cable insulation	12/19/80	9/30/81*	103,750,000	103,750,000	B
NJ-05-0002	NJTC	1165 transit buses	8/15/79	------	120,000,000	66,930,038	C-1
NJ-03-0042	NJTC	Rehab 210 transit buses	11/9/81	9/30/82	11,000,000	11,000,000	C-1
NJ-05-0008	NJTC	Renovation of bus facilities and	11/9/81	-------	11,600,000	11,600,000	C-1
					453,350,000	350,037,638	

*Request for extension being processed

Office of Grants Assistance

Outstanding Letters of No Prejudice

Region III

Project Number	Grantee	Description	Date Issued	Expiration Date	Original Amount	Remaining Balance	Category
PA-03-0107 PA-05-0029	PENN DOT	648 advanced design buses	9/28/81	9/30/83	82,000,000	13,000,000	C-2
WMATA							
	WMATA	Install and evaluate 50 carsets (metro rail car brakes)	9/10/81	9/30/82	1,835,866	1,835,866	C-2

Office of Grants Assistance

Outstanding Letters of of No Prejudice

Region IV

Project Number	Grantee	Description	Date Issued	Expiration Date	Original Amount	Remaining Balance	Category
GA-03-0008	MARTA	Pre-design-- Art Center to Lenox	6/5/78	-----	2,300,800	808,000	D-2
GA-03-0008	MARTA	20 rail cars	8/24 /78	-----	14,552,112	11,552,112	D-2
GA-03-0008	MARTA	Airport Station	8/ 22/78	-----	1,361,000	1,088,000	D-2
GA-03-0023	MARTA	Tunnel Design	8/8/80	12/31/82	1,153,600	1,153,600	D-2
GA-03-0023	MARTA	Phase B-3 activities	9/29/80	8/30/82	19,417,790	19,417,790	D-2
GA-03-0023	MARTA	Brookwood Inter-change const.	7/25/79	-----	2,784,000	2,784,000	D-2
Airport Station	MARTA	Construction of Stage I	5/30/79	-----	6,564,800	6,564,800	D-2
GA-03-0023	MARTA	Phase B-2 of North-South Line	11/25/80	8/30/82	19,975,762	19,975,762	D-2
GA-03-0023	MARTA	Completion of Phase B-2	12/15/80	-----	381,625,812	381,625,812	D-2
					446,735,676	444,969,876	

Office of Grants Assistance
Outstanding Letters of No Prejudice

Region VI

Project Number	Grantee	Description	Date Issued	Expiration Date	Original Amount	Remaining Balance	Category
LA-03-0024	New Orleans	Construction of 2 transit lanes (Mississippi River Bridge)	12/7/81	8/31/83	31.000,000	16,000,000	C-1
TX-03-0070	Houston	Purchase 130 forty-feet buses	12/7/81	10/31/83	22,259,000	22,259,000	C-1
-	Houston	Southwest Corridor Transit project	12/21/81	12/30/85	24,000,000	24,000,000	D-1
					77,259,000	62,259,000	

Region VIII

Project Number	Grantee	Description	Date Issued	Expiration Date	Original Amount	Remaining Balance	Category
-	Denver RTD	Land Acquisition for bus maintenance facility	5/4/79	—	—	—	C-1

Office of Grants Assistance
Outstanding Letters of No Prejudice

Region IX

Project Number	Grantee	Description	Date Issued	Expiration Date	Original Amount	Remaining Balance	Category
CA-23-2017	Orange Co. (Santa Ana)	Eng. & land for terminal	3/3/81	6/30/82	1,120,000	1,120,000	C-2
					1,120,000	1,120,000	

Office of Grants Assistance

Outstanding Letters of No Prejudice

Region X

Project Number	Grantee	Description	Date Issued	Expiration Date	Original Amount	Remaining Balance	Category
OR-23-9001 OR-03-0025	Tri-Met	26 LRV's	9/2/81	8/31/83	18,500,000	8,551,500	E
					18,500,000	8,551,500	

FULL FUNDING CONTRACT

Senator D'Amato: Your budget submission, page 34 list a proposed outlay for extraordinary cost for the Baltimore project. What is the nature of these extraordinary costs?

Response: The Baltimore extraordinary costs reflect increased project construction costs due to inflation beyond the rate estimated in the final Phase A application approved by UMTA. These costs meet the definition of extraordinary costs as contained in the Full Funding Contract executed between UMTA and the Maryland Department of Transportation on December 10, 1976. The method employed (Engineering News Record/Building Cost Index) to calculate the extraordinary costs is specified in the Full Funding Contract. UMTA staff has verified that the specified method was used and that the resulting cost figures are accurate and eligible.

Senator D'Amato: We are concerned that our good friends in Atlanta, which is an exemplary place of local and financial initiative commitment, have had a grant application pending with you for over two years to cover the extraordinary cost of the first part of their project. Why has UMTA not moved forward with review and payment on this application?

Response: UMTA has reviewed the application and concurred that the costs are eligible items and can be covered as extraordinary costs. UMTA is awaiting the availability of funds in order to move forward and complete processing of this grant.

Senator D'Amato: Please give a system-by-system summary for each full funding contract, of project adherence to budget and time-table. Please specify what you are doing, as an Administrator of scarce Federal resources to address any schedule or budget delays that will jeapardize by more than 30 days or 10% of total project cost, the completion date of each project, which I understand to be specified in each contract.

Response: Baltimore, Atlanta (Phase A), and Miami are projects with claims for extraordinary costs under Full Funding Contracts. UMTA is currently working with the grantees for these projects to establish funding schedules. Of course, the full extent of claims under the extraordinary costs provision of Full Funding Contracts can not be determined until all major construction contracts have been bid.

UMTA regional offices and headquarters staff monitors the scheduling and financial requirements of all major projects including those covered by Full Funding Contracts on a continuous basis to insure adherence to budget and time-table.

Senator D'Amato: Please summarize the success, or lack of success, that that you feel has been realized by contracts. What changes would you recommend for consideration in any future Full Funding Contracts?

Response: The Full Funding Contracts have been a very useful document for implementing major projects. The Full Funding Contracts are bi-lateral agreements between UMTA and the grantee and define the scope of the project, the funding level UMTA is committed to, and the time frame for completing the project. In addition, the documents define the special terms and conditions under which the basic provisions, such as the scope of the project and cost, can be modified. UMTA believes that Full Funding Contracts have been very effective in controlling the amount of cost overruns on major projects by limiting the amount of Federal funding to the level stated in the contract except for the permitted cost increase factors identified therein.

GAO

Senator D'Amato: Dissemination of local initiatives. It appears to us that there is a definite lack of a central effort to highlight and share individual transit operator efforts to analyze and improve their operations. Some properties have been very aggressive and forward thinking in their approach to such issues. Cleveland's management by objective and Atlanta's just completed study on the direction mass transit should take in the coming decade come to mind as examples of such local initiatives. What can you do in the short term to disseminate the findings and methodologies of such innovative efforts?

Response: There are several ways by which this can be accomplished. We are establishing a "peer matching" mechanism to share such experiences in a timely fashion. The process identifies innovative techniques of widespread interest and matches those innovators with their peers in other urban areas who wish to replicate the innovation. The innovators' time and travel are paid by UMTA to allow short visits to locations desiring the information. This process cuts the time required for dissemination of new concepts and improves the credibility of the information transfer by enabling people to interact with their peers who have had hands-on experience with the innovation.

UMTA prepares and distributes a series of short bulletins that provide information on innovative transit management practices. Additional bulletins highlight the results of both UMTA demonstration projects and locally generated projects.

UMTA also publishes papers, holds workshops, sponsors conferences, and conducts seminars to transfer information and encourage localities to understand and adopt new techniques. We will investigate the two examples in Cleveland and Atlanta to determine how they can best be included in these information dissemination activities.

EMERGENCY STOCKPILING

Question: Please report on the number of vehicles currently classified as comprising the emergency stockpile fleet, nationwide.

Answer: UMTA does not have a formal bus stockpiling program and therefore, does not keep any official records on the number of stockpiled buses. However, we estimate the number to be several thousand nationwide.

Question: What are you doing to ensure that these vehicles are in fact in good operating order, and do in fact represent a ready resource in the event of an energy emergency?

Answer: UMTA does not have a formal bus stockpiling program and consequently does not have any requirements on the maintenance of stockpiled buses. The decision to stockpile and maintain buses for an energy emergency is a local determination.

Question: Have any vehicles from the stockpile fleet ever been pressed into service for any purpose other than making up for a shortage of operable vehicles in any grantee's bus fleet? For what purpose were such vehicles used?

Answer Since the time UMTA provided an opportunity for grantees to stockpile buses, no energy (fuel) shortages have occurred. Consequently, most stockpiled buses have been used to make up shortages in operable vehicles. For example, Washington, DC leased approximately a hundred buses to New York on an interim basis when New York's Grumman Fixible 870 fleet was taken out of service. Washington, DC and Philadelphia also leased buses to Pittsburgh to compensate for buses out of service because of age, deterioration and a backlog in maintenance.

STOCKPILING POLICY

Senator D'Amato: Given the current energy situation and the scarce amount of Federal mass transit funds available, what is your thinking on the usefulness of the stockpiling policy?

Response: UMTA believes that some degree of stockpiling of buses that would otherwise be retired from a bus fleet can provide a useful cushion of reserve capacity which would be available in the event of a future energy emergency or other situation.

UMTA INTERNAL STAFF DEVELOPMENT

Senator D'Amato: Your agency has often been criticized for the lack of a conscientious policy of training to enhance the productivity and capability of staff members. We are particularly concerned about the historic lack of management development and training. Please provide your observation as a relative newcomer to UMTA on the issue of management development and what is currently being done internally, at all levels of the agency, to conscientiously consider staff needs for management development training.

Response: Each year an annual training plan is submitted to the personnel office by each major organization in UMTA for its entire staff. Training priorities are then established with primary emphasis placed on mission accomplishment. Following are training figures for the years 1977 through 1981.

Year	Training Budget	Monies Expended
1977	$ 67,200	$ 54,218
1978	140,200	112,381
1979	127,400	126,443
1980	90,000	79,874
1981	99,520	77,689

Our current annual training budget for FY'82 through the Third Quarter is $45,500. Following is a breakdown of our major organizations and regions for this allocation.

Office of the Administrator	$ 600.00
Administration	3,400.00
Office of the Chief Counsel	1,400.00
Office of Public Affairs	400.00
Office of Grants Management	3,800.00
Office of Budget and Policy	1,800.00
Office of Technical Assistance	7,500.00
Office of Civil Rights	1,200.00
Office of Financial Management	2,400.00
Region I (Boston)	3,000.00
Region II (New York)	1,200.00
Region III (Philadelphia)	1,600.00
Region IV (Atlanta)	1,000.00
Region V (Chicago)	1,600.00
Region VI (Fort Worth)	800.00
Region VII (Kansas City)	600.00
Region VIII (Denver)	600.00

Region IX (San Francisco)	1,200.00	
Region X (Seattle)	800.00	
	$34,900.00	
	10,600.00	(General Training Fund)
Total	$45,500.00	

A review of expenditures for training for past years shows a relatively equal distribution of training costs from the executive through the clerical level. This supports across-the-board development of staff as opposed to concentration on a narrow segment. This trend is continuing this year.

Since 1979, all hiring in UMTA has been of people with proven experience in the areas needed as opposed to hiring individuals with potential and then subjecting them to a lengthy training program.

UMTA is also participating in Departmental management development programs. Two UMTA employees are currently participating in the Department's Executive Development Program. Eleven UMTA managers participated in the Departmental sponsored Occupational Safety and Health Training Program. In 1981, 108 employees attended management development training courses.

Because of our size it is more efficient to have individuals attend training given by OPM and local colleges and universities, etc. The visability of training is not as apparent as with larger agencies which can schedule regular management development courses throughout the year. Nevertheless, we are striving to ensure that our managers and supervisors are receiving the managerial training that is needed to carry out their duties and responsibilities.

In addition to formal and on-the-job training, we have been contributing to employee development through the use of rotational assignments and intend to continue this practice.

MAINTENANCE

Senator D'Amato: We are strongly concerned about the issue of adequate maintenance of rolling stock and fixed facilities financed with Federal funds. Although we do not wish to have an overbearing Federal presence on this issue, we feel that there is an obligation for the Federal Government to protect its financial interests. Additionally, Federal mass transit funds are provided to achieve a number of clearly stated and strongly supported Federal objectives. Such objectives are frustrated if items funded with UMTA funds are not maintained in good operating order, with poor or inadequate levels of service resulting.

Your legislative proposal for authorizations includes language that would require grantees to have "sufficient capability to maintain the facilities and equipment." Please elaborate on what types of general standards you are envisioning, and how you would receive and review grantee assurances that such capability does, in fact exist, and more importantly, that such capability is being applied to all components of the grantee's system.

Response: In our proposed legislation we have three provisions regarding maintenance. First, section 2(a) of the bill amends the section 3 program to require that recipients of capital grants have the technical and financial capability to maintain facilities and equipment purchased with Federal assistance. Because we have proposed to phase out operating assistance, we believe there is a Federal interest in ensuring that operating costs are not in effect turned into capital costs by deferring maintenance. However, we do not intend to prescribe specific maintenance require-

ments, since we believe it is properly a local responsibility to develop and implement such requirements.

Second, under our proposal, section 9 capital formula program recipients will be required to certify compliance with a number of provisions, including a certification that they will maintain federally-assisted equipment and facilities in operational order. We do not intend to prescribe Federal maintenance requirements in this connection either, but recipients under section 9 will be required to perform independently-conducted reviews and audits on an annual basis, and these will enable us to determine the extent of recipients' compliance with the self-certification program.

Third, our proposed legislation provides that under the capital formula program, capital activities would include the purchase of spare parts for transit vehicles where the expected service life of the spare part exceeds one year. This would permit the purchase of items such as compressors and engine blocks that maintain the usefulness of vehicles.

In addition, UMTA has made research and development grants for the study of innovative methods and techniques to enhance maintenance practices and training. We will continue to make such grants with the results to be made available to the transit industry.

SECTION 15

Senator D'Amato: You have expended a great deal of time and expense on the Section 15 program, and the same is even more true for recipients of your funds. We have yet to see, however, useful information flowing from this effort. Data presented so far has been couched in very qualified terms, and does, in any event, reflect very dated figures from a rapidly changing industry. I am, therefore, troubled to learn from your opening statement that you regard the Section 15 program as an "important roll" in decision-making. I would encourage you to properly emphasize the potential decision-making assistance of data collected under Section 15, and to equally stress the fact that interpretation of such data from one transit operator to another must be done in light of equal recognition of the unique political, economic and geographic environment in which each operator functions. Specifically, I would ask you what can be done to upgrade the reliability, completeness and currency of Section 15 data available from your Section 15 Office?

Response: UMTA has already taken positive steps to upgrade the reliability of the data reported under Section 15. An intensive validation technique was used on the reports with fiscal years ending between July 1, 1979 and June 30, 1980 (which will appear in the Second Annual Report). This validation involved reviewing the reports for completeness, internal consistency, checking the data's reliability by comparing it to nationwide norms and other indicators of reasonableness. Where questions of accuracy arose, the UMTA validators worked closely with the transit operators to determine whether a reporting error had been made, and changed the data accordingly. This was a time consuming process, but one which resulted in vastly improved data quality. Once an operator is aware of a problem, the probability of it recurring in future years is reduced. The validations, checks and tests for reasonableness are being continually reviewed and updated as we gain more experience with the data.

As a result of experiences gained during the validation process, UTMA has published a Section 15 checklist, which helps the transit operator avoid most of the more common reporting errors that occurred during the first two reporting years. We have had much positive feedback from the transit operators about the usefulness of this document, and have noticed a definite increase in the quality of the operators' reports since its publication. As operators gain more experience with the system, we expect the quality of the data to improve, also. The checklist is also being continually revised as

problems that surface during the validation process are found to be of general interest to all reporters.

With regard the the currency of the data, it is important to remember that there is a certain time lag which is a normal part of the reporting system. The published Annual Reports aggregate reports of all transit authorities with local fiscal years that end June 30 of the year of the report. The operators are not required to report until 120 days after the end of their local fiscal year, in order to allow them adequate time to close and audit their books. This means that those properties whose fiscal years end on June 30 are not required to report until September 28. (About 35% of the approximately 370 reporters fall in this category). Allowing time for validation and production we can therefore reasonably expect to produce the annual report at some time the following spring.

SECTION 18

Senator D'Amato: The Administration's proposal for authorizations seeks to end the use of Section 18 funding for operating expenses by FY 1985. I would like to point out to you that in the State of New York, nearly 75% of Section 18 funds apportioned are used for operating expenses. Please provide the percentage of uses for capital and operating expenses, on a State-by-State basis.

Response: See the attached Table.

PERCENTAGE OF SECTION 18
OBLIGATIONS BY EXPENSE CATEGORY
(FY 1979 through March 28, 1982)

State	State Administrative and Technical Assistance	Capital	Operating and Project Administrative	Other
Alabama	30.0	27.3	42.7	0
Alaska	0	3.3	96.7	0
Arizona	51.2	0	32.5	16.3
Arkansas	24.6	24.8	43.8	6.8
California	10.7	68.4	17.2	3.7
Colorado	16.6	19.6	48.5	15.3
Connecticut	18.5	6.4	75.1	0
Delaware	14.2	0	85.8	0
Florida	14.2	41.8	44.0	0
Georgia	14.8	53.8	31.4	0
Hawaii	10.4	72.3	17.3	0
Idaho	12.7	19.0	68.3	0
Illinois	2.9	25.7	71.4	0
Indiana	17.6	22.4	60.0	0
Iowa	14.6	69.9	15.5	0
Kansas	45.1	18.6	36.3	0
Kentucky	10.8	30.4	58.8	0
Louisiana	41.8	30.9	27.3	0
Maine	16.5	19.6	63.1	0.8
Maryland	1.2	77.5	21.3	0
Massachusetts	4.8	3.4	91.8	0
Michigan	0	0	97.2	2.8
Minnesota	4.9	16.1	76.3	2.7
Mississippi	38.8	30.2	29.6	1.4
Missouri	23.1	21.9	55.0	0
Montana	10.1	8.5	81.4	0
Nebraska	16.1	18.5	65.4	0
Nevada	14.4	38.1	43.0	4.5
New Hampshire	30.9	15.6	53.5	0
New Jersey	8.7	46.0	45.3	0
New Mexico	22.2	29.0	48.8	0
New York	23.7	35.6	40.5	0.2
North Carolina	5.6	59.7	34.7	0
North Dakota	15.0	34.3	50.7	0

PERCENTAGE OF SECTION 18
OBLIGATIONS BY EXPENSE CATEGORY
(FY 1979 through March 28, 1982)

State	State Administrative and Technical Assistance	Capital	Operating and Project Administrative	Other
Ohio	16.2	29.2	54.6	0
Oklahoma	53.0	15.5	31.5	0
Oregon	9.2	45.1	45.7	0
Pennsylvania	9.6	30.5	59.5	0.4
Rhode Island	100.0	0	0	0
South Carolina	16.5	46.4	37.1	0
South Dakota	15.2	8.7	56.6	19.5
Tennessee	8.6	51.8	39.6	0
Texas	24.1	20.3	55.6	0
Utah	15.0	85.0	0	0
Vermont	7.0	0.2	92.8	0
Virginia	9.9	43.8	41.3	5.0
Washington	9.9	38.6	51.5	0
West Virginia	10.2	5.8	84.0	0
Wisconsin	4.8	36.2	55.9	3.1
Wyoming	16.6	11.6	71.8	0
Puerto Rico	100.0	0	0	0
America Samoa	15.0	85.0	0	0
Guam	100.0	0	0	0
North Mariana	100.0	0	0	0
Virgin Island	3.5	0	96.5	0

SUBCOMMITTEE RECESS

Senator D'AMATO. This subcommittee stands in recess.

[Whereupon, at 11:40 a.m., Friday, April 23, the subcommittee was recessed, to reconvene at the call of the Chair.]

DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1983

MONDAY, APRIL 26, 1982

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 10:08 a.m., in room 1318, Everett McKinley Dirksen Senate Office Building, Hon. Mark Andrews (chairman) presiding.

Present: Senator Andrews.

DEPARTMENT OF TRANSPORTATION

FEDERAL AVIATION ADMINISTRATION

STATEMENT OF J. LYNN HELMS, ADMINISTRATOR

ACCOMPANIED BY:

MICHAEL J. FENELLO, DEPUTY ADMINISTRATOR
CHARLES E. WEITHONER, ASSOCIATE ADMINISTRATOR FOR ADMINISTRATION
WILLIAM F. SHEA, ASSOCIATE ADMINISTRATOR FOR AIRPORTS
WALTER S. LUFFSEY, ASSOCIATE ADMINISTRATOR FOR AVIATION STANDARDS
A. P. ALBRECHT, ASSOCIATE ADMINISTRATOR FOR ENGINEERING AND DEVELOPMENT
NEAL A. BLAKE, DEPUTY ASSOCIATE ADMINISTRATOR FOR ENGINEERING AND DEVELOPMENT
DONALD R. SEGNER, ASSOCIATE ADMINISTRATOR FOR POLICY AND INTERNATIONAL AVIATION
WILLIAM A. PLISSNER, DIRECTOR OF BUDGET
RAYMOND J. VAN VUREN, DIRECTOR OF AIR TRAFFIC SERVICE
GERALD THOMPSON, DIRECTOR OF AIRWAY FACILITIES SERVICE
H. L. REIGHARD, M.D., FEDERAL AIR SURGEON
HARVEY B. SAFEER, DIRECTOR OF AVIATION POLICY AND PLANS
J. E. MURDOCK, CHIEF COUNSEL
JAMES A. WILDING, DIRECTOR OF METROPOLITAN WASHINGTON AIRPORTS

SUBCOMMITTEE PROCEDURE

Senator ANDREWS. This morning the subcommittee has the pleasure of hearing from the Federal Aviation Administration and Mr. Helms.

It is good to have you with us.

I see that you have a table full of experts here.

Mr. HELMS. I want us to be in a position to answer any questions which the subcommittee may bring up, Mr. Chairman.

Senator ANDREWS. That is really wonderful. As you know, we will let you summarize your statement in any way you want to. You can be assured that it will appear in the record in its entirety, and whenever you finish the summary we can get to the questions.

Mr. HELMS. All right, sir.

PREPARED STATEMENT

Senator ANDREWS. Your prepared statement will appear in the record at this point.

[The statement follows:]

STATEMENT OF J. LYNN HELMS

Mr. Chairman and Members of the Committee. I welcome the opportunity for my first hearing before your Committee and today will present the Federal Aviation Administration's Budget Request for fiscal year 1983. This budget is in keeping with President Reagan's promise to the American people to reduce the cost and impact of the Federal Government, to further expand the effort of deregulation, and to increase productivity while maintaining essential services and improving the safety and quality of the National Airspace System. This budget promotes a safe and efficient system by focusing FAA resources on programs which control, but do not constrain, and which regulate but do not interfere over the long term with free enterprise or competitive purpose.

For fiscal year 1983, the President's Budget includes proposals for FAA of $3.9 billion in budget authority and $3.4 billion in outlays including amounts proposed for later transmittal in connection with action on the Administration's authorization and user fee proposals. This will provide for the completion of our recovery from the August 3, 1981, illegal air traffic controller's strike and will initiate a multi-year program of facilities and equipment and supporting research and development necessary to modernize and improve the National Airspace System to reduce the annual cost of operation and accommodate increased demands for aviation services.

Mr. Chairman, I recognize the purpose of this hearing is to review all aspects of our proposed fiscal year 1983 budget. As such, it must include an appraisal of our 1981 performance and of the fiscal year 1982 budget. I would be remiss, therefore, not to call attention to the single most significant event to occur in FAA history. Specifically, Mr. Chairman, I refer to the absolutely outstanding performance of our FAA employees in meeting the needs of our Nation's citizenry when 11,400 people violated the law and their oath by engaging in an illegal strike. With long hours, heavy workload, a major shifting of people, the use of supporting people not normally engaged in such a supporting role in the air traffic system, the efforts of our remaining

controllers, supervisors, technicians, flight service specialists, and supporting administrative personnel accomplished what virtually all evaluators concluded early in the strike was not possible. And they did it with not one unqualified person at a work station, with no derogation of safety, and through the worst winter of this century. I know of no Government agency, faced with such a challenge, that has ever responded better. While we may have problems and adversities and have improvements to make, I cannot allow these to overshadow the tremendous performance of our people. I am very proud of them.

AIR TRAFFIC CONTROL OPERATIONS

I am not going to dwell on the 1981 controller strike other than to state the obvious--it had both a significant impact on capacity and service to users, and it substantially increased the workload of those FAA employees who remained at our air traffic control facilities.

I believe it appropriate to advise this Committee of my position which I presented to our employees during visits to FAA installations from March through June 1981. I will not take time to outline its entire content, but with regard to the possibility of a future strike, I noted that I could forecast with certainty five events:

1. At some point it would end;
2. When it was over, there would still be a United States of America;
3. When it was over, there would still be a Federal Aviation Administration;
4. When it was over, there would still be an aviation industry, including both air carrier and general aviaton; and
5. When it was over, there would be no winners--only losers.

I then told our employees to get on with their jobs, and ensure we fulfill our priority obligation to the Nation--the safe and efficient use of the Nation's airspace, facilities, and the vehicles that travel therein.

This unfortunate situation is behind us. All of our efforts are now directed to the task of rebuilding.

Our success in air traffic control activities since the strike is due to the efforts of our remaining, legal controllers, our experienced technicians, our capable flight service station specialists, our support and administrative FAA personnel that backed them up. All are dedicated employees, as are the military controllers who are also an important element in our success in operating the system following the strike. Together with the nearly universal cooperation of the aviation industry, and our ability to control and balance the flow of air traffic, we have met the Nation's needs--possibly not what each individual wants, but we have met needs! We are presently handling about 83 percent of the pre-strike traffic activity. By September 1982, I expect it to be at 90 percent, and five to six months later back to 100 percent capacity and ready to accommodate an era of renewed growth. More importantly, the traveling public is not now constrained in being able to travel by air. Full return to normal will be later, as we have repeatedly noted. In no way will safety be compromised as we proceed through this recovery period.

The application of certain planned actions, including flow control, will be necessary through 1982, but these restrictions will continually decrease as new controllers are trained and capacity increases. The current restrictions have been effective, but they do require constant monitoring and revision to provide the best possible service to all users. Our goal, as restrictions are modified and reduced, is to maintain a balance between the mix of traffic to ensure that no aviation segment, including the passenger, is disproportionately affected in system access. The restrictions are and will continue to be geared to the elimination of heavy, brief peak periods and to avoid exceeding individual controller or facility capabilities. Most important is our commitment to returning the system to normal as soon as possible. The FAA absolutely does not want to be in the slot allocation or flight activity control business. We firmly intend to return this function to the private sector as soon as practicable.

In another move aimed at alleviating system strain, we instituted the General Aviation Reservation (GAR) plan last October. For whatever reason, the GAR plan did not fare

very well. It gives no small comfort to say to ourselves, "It's not our fault; through contract, we assigned this task to a third party." Simply put, we have egg on our face on this endeavor. While our decision was correct, our implementation was not effective. Fortunately, we recovered quickly and the problems are behind us. Our purpose in implementing the plan was to permit access to the system for the same ratio of traffic that existed prior to the strike and to smooth traffic loads by limiting the number of departures per hour.

Other measures taken to reach our present capacity level include temporary part-timing and closure of some towers, and expanded tower enroute control.

During the first weeks of the strike, emergency action was taken to close temporarily those towers having insufficient personnel for continued operation. After August 3, we temporarily closed as many as 80 towers and relocated the available personnel to other facilities. Restoring service at those towers having higher levels of activity or necessary for national defense needs will be accomplished as quickly as possible. At the present time, 17 towers which previously had been closed have been restored at least to a part-time, peak period operation.

As a result of the strike, capacity at a number of our enroute air traffic control centers was seriously reduced while the terminal radar control capability of many airport traffic control towers was less severely affected. To take advantage of this situation, FAA developed an expanded Tower Enroute Control Program that permits aircraft to make cross-country instrument flights under contol of these terminal radar control facilities. This action reduces center workload which normally handles instrument flights between airport terminal areas.

We are also concerned and shall give high priority to the relationships between management and employees. These relationships have been deteriorating over a period of years, affecting employee morale and effectiveness. This situation existed before the strike and can be attributed in some measure to the devisiveness brought about by an adversarial relationship generated by a militant, aggresive union.

Last fall, Secretary Lewis and I appointed a task force to study the problem. Their report, submitted in March, represents more than five months of thorough investigation with findings and suggestions for improvement. We are studying the report, and will use it as a tool in restructuring the work environment within FAA. We will take appropriate action and make changes where necessary to assure that devisiveness and alienation do not resurface.

Our commitment to safety has been appraised by both the National Transportation Safety Board and the Flight Safety Foundation. Both groups have concluded that, on an overall basis, the air traffic control system has an equivalent level of safety to the pre-strike system. It was found that an overwhelming majority of pilots interviewed reported that the air traffic control system is better than before. They also found that controller fatigue was not a problem. No evidence was found to support allegations of unqualified personnel controlling traffic, and the present controller workforce was judged to have equivalent proficiency as compared to the pre-strike staff. Reviews of the present air traffic control system have also been conducted by foreign governments. Each has concluded that aviation safety has not been jeopardized in the wake of the controller's strike.

AIR TRAFFIC RECOVERY

Having reviewed our current status, let me turn to our plans for recovery. In December, we completed and began implementation of the Air Traffic Service Recovery and Revitalization Plan. This plan is the foundation of a program to rebuild and improve the air traffic control system. Its objective is the restoration of full air traffic control system capacity to meet user needs and requirements as rapidly as safety considerations permit.

This "new" system will not be a clone of the prestrike system, but will be safer, more efficient, more responsive, less expensive, and more user-oriented. It will be flexible and expandable, and it will complement and merge all elements of the National Airspace System.

In addressing recovery and revitalization of the system, special emphasis is being given to those areas most impacting system users. For example, the largest numbers of military controllers have been placed in the 22 key airports; special radar controller training is being instituted for some of our facilities at the FAA Technical Center in Atlantic City; tower enroute control is being expanded wherever possible, and needed, to reduce the impact on general aviation and air taxi users; and special routes and procedures have been and, in many cases, are still being developed to assist in military operations.

The cornerstone of the recovery effort is the training of new air traffic controllers to replace those fired for their strike activities. We estimate that approximately 8,500 new controllers will be needed to bring air traffic control staffing to a level capable of handling pre-strike air traffic demand. Since the strike, 3,500 air traffic control trainees have been enrolled at the FAA Academy. The first graduates, totaling 1,160 at present, have arrived at critical facilities for classroom and on-the-job training. In addition, we have hired over 800 former military controllers who, based on their air traffic control experience, have been assigned directly to facilities--primarily towers. Controller checkouts on operating positions have now begun. The initial benefit of these new controllers will be absorbed by attrition, replacement of military personnel, and annual leave by the work force which has sustained the operation since the strike. Therefore, the effect of the addition of new controllers may not be apparent throughout the system until late in fiscal year 1982 or early 1983. As the output of our training program at the FAA Academy moves into field facilities, we will gradually reduce capacity restraints, removing them completely by the end of 1983. In every case, a new controller will be fully qualified for his or her assigned position before assuming the duties of that position.

In April 1981, we published a notice in the Federal Register calling for the help of the aviation community to assist us in a thorough review of the National Airspace System. A three-day public meeting in late May 1981 allowed users of the system the opportunity to participate in the scope of the review,

and, later, to provide written comments on our preliminary proposals for change.

The initial review focused on two areas, the first of which is the National Airspace Review (NAR) and the second the National Airspace System Plan. Our goal is to combine the equipment and facility improvements in the National Airspace System Plan with the procedural and policy improvements in the National Airspace Review to produce an integrated system, tailored to each type of user.

NATIONAL AIRSPACE REVIEW

The National Airspace Review involves a comprehensive study of the operational uses of the Nation's airspace including air traffic control procedures, flight regulations, and airspace environment. It is an ongoing effort conducted in partnership with industry, and will take 42 months to complete, with some of the benefits to be phased in during this period. Eighteen task groups made up of representatives from the FAA, the Department of Defense, aviation industry, labor, and state aviation organizations have been established. Each group is responsible for reviewing a particular aspect of the National Airspace System and to make recommendations for its improvement. Among the items to be analyzed are traffic flow, fuel efficiency of jet routes, low altitude airways, the potential for design simplication of terminal control areas, and the identification of regulations dealing with airspace and air traffic procedures that can be simplified, clarified, or eliminated.

NATIONAL AIRSPACE SYSTEM PLAN

Our air traffic control and air navigation system is today the safest in the world, but it is a combination of equipment, skills and procedures that evolved over forty years. It does not have the capability to accommodate future aviation needs.

Much of the equipment uses vacuum tubes, different types of computers and software for both enroute and terminal facilities, and overlapping coverage of navigation and communications facilities. It requires extensive and expensive supply, training, and

15-453 O - 83 - 30

technical support facilities. We cannot meet the future demands of aviation by "more of the same." We must restructure the system...both in facilities and equipment and in procedures...to accommodate the projected demand. Even without this increase, however, the present system is old, obsolete, labor intensive, and inefficient.

Our forecast of demand between now and 1993 indicates:

- An 85% growth in domestic revenue passenger miles.
- A 233% growth in commuter carriers.
- Flight services increasing by 70%.
- General aviation activity up by 67%.
- Air carrier operations at FAA towers increasing by 23%.

These statistics speak to one side of the variable...the airside. The other side is the airport, and here our options are more limited. While we do not foresee dramatic additions to the airport system now in place, opportunities do exist to increase system efficiency by enhancing and supplementing the capacity of major airports through efforts such as constructing short runways for commuter aircraft and expanding airport terminal areas. We do not predict any major new airports on the scale of Dallas-Fort Worth, with the possible exception of Palmdale, California. But, with the cooperation of airport owners and users, we will be able to accommodate demand through the turn of the century. The key to our success will be to make ever more effective use of the airports that we now have.

Highlights of the National Airspace System Plan now undergoing final high-level review within the Administration include:

- Computer Replacement. Today, FAA's enroute centers use Model 9020 computers developed in the early 1960's. This computer is expensive to operate and maintain, and does not possess the required capability for greater automation needed for future aviation growth. Also, because of its age, it cannot be supported logistically for many more years. The National Airspace System Plan calls for its replacement in the mid-1980s with host computers. The host computers will use the existing software with minimal modifications. Since the data required and

functions performed are basically the same in the enroute and terminal areas, our Plan calls for using the same basic system for both areas. Finally, since the availability of new, higher-performance computers, we have the capability to automate many functions now performed manually. For example, the Automated Enroute Air Traffic Control...or AERA...concept will permit more fuel-efficient aircraft routings and assist controllers with flow planning and traffic management. It will probe aircraft routes, detect and resolve conflicts, and will issue clearances insuring the safe, metered, and fuel-efficient flow of traffic.

- Flight Service System. FAA's plans to automate and consolidate its more than 300 flight service stations into a network of 61 automated facilities is already underway. The computers for automating the planned 61 sites were funded by Congress in 1981 and are on order, with initial delivery scheduled for late 1982. This new equipment will provide the flight specialist with rapid retrieval of information needed to brief pilots on weather and other flight conditions. Eventually, these new systems will give pilots direct access to important flight information via terminals at airports and touchtone telephones at other key locations.

- Weather Services. The Plan calls for a major upgrading of weather services provided to the pilot. Automated weather sensors will broadcast surface conditions by means of a computer generated voice over VOR radio navigation stations. Also in the Plan is the adoption of a new generation of doppler weather radar to provide improved weather presentations. In the terminal area, we will buy upgraded equipment with a separate weather "channel."

- Landing Systems. The Plan indicates procurement of new microwave landing systems in fiscal year 1983 and that we expect to have 1,250 in place by 1998. MLS, the newly approved international approach system, provides more precise guidance over a broader area than the present instrument landing system (ILS) that it succeeds and will greatly enhance operational flexibility at airports. It will also help reduce airport noise by providing for both more flexibility in the approach pattern and steeper glide slopes to the end of the runway.

- Facility Consolidation. Earlier I mentioned our plan to consolidate over 300 flight service stations into 61 new, automated facilities. The Plan will accommodate consolidation of the current 25 enroute centers and 188 terminal facilities into some 60 air traffic control facilities by the year 2000. Facility consolidations must be viewed as independent of the National Airspace System Plan and must be pursued in any event for their obvious cost-savings. Each separate FAA facility requires equipment and services at a cost to the taxpayer. For example, as the National Airspace System evolved over the past forty years, it was a product of the equipment and telecommunications technology then existing. Today's technology will allow consolidation of facilities, with the ability to provide equivalent or improved levels of service to the aviation public at reduced cost.

- Plan Cost Effectiveness. We estimate that the cost of implementing the National Airspace System Plan through 1987 will be $7.5 billion in current year dollars. Our estimated savings, through 1990 are $9.1 billion, and through the year 2000...$43.2 billion. This ratio demonstrates the Plan's cost effectiveness.

TRAFFIC ALERT AND COLLISION AVOIDANCE SYSTEM (TCAS)

I am often asked when we will begin implementing elements of our National Aviation System Plan. The fact is that we have already begun. We did so with my decision to employ the Traffic Alert and Collision Avoidance System (TCAS) to provide protection against mid-air collisions.

TCAS, which is independent of the ground air traffic control system, moves capability for collision avoidance to the cockpit, and at a cost that meets the requirements and pocketbooks of most airspace users. The least complex part of the system, TCAS I, is designed for private pilots and would cost about $2,500. The fully capable airline version, TCAS II, would cost between $45,000 and $50,000.

It is our intention merely to set minimum standards for TCAS I, allowing industry creativity and free market forces the

opportunity to improve and add to the basic system.

We have awarded a $4 million contract for development work on two engineering models of TCAS II. The completed units will be delivered to the FAA Technical Center this summer for testing and evaluation.

We estimate that TCAS I and TCAS II units will be in production in the summer of 1983 and the summer of 1984, respectively.

SIMPLIFYING REGULATIONS

Earlier, I mentioned that this budget is in keeping with the President's promise to the American people to further expand deregulation efforts.

Among the many new efforts underway within FAA is a major review of all regulations that can be either simplified, reduced, or eliminated. This review encompasses the full spectrum of FAA regulatory activities, from medical certificates to aircraft certification. We have taken final action on a number of amendments to the Federal Aviation Regulations which relieves the burden on the aviation industry and the traveling public.

Among more than a dozen relieving rulemaking actions, we have allowed certain air taxi operators to operate in daytime under visual flight rule conditions without holding an instrument rating. For example, float plane operators in Alaska do not fly under Instrument Flight Rules (IFR). Therefore, it is pointless to require them to undergo the time and expense of complying with a regulation requiring them to have this proficiency. We have modified the requirement that supplemental and commercial operators have sole possession of one aircraft for at least 6 months. We have authorized commuter airlines to issue their own special flight permits. We have allowed the blind to keep flexible travel canes near them on airline flights. Air carriers now may use previous, successful emergency evacuation demonstrations as a basis for conducting a partial demonstration.

We have taken other actions to relieve the burden the agency has been imposing on the

aviation community and the traveling public. We withdrew seven Notices of Proposed Rulemaking which were unnecessary or burdensome. We terminated 16 regulatory projects which had not reached the public proposal stage of rulemaking. Some actions are being accomplished through nonregulatory means. For others, our analysis found that the costs of the proposals would outweigh the benefits society would gain.

In addition, we are exploring a new regulatory approach that we call "Regulation by Objective," or RBO. What it means is simply this: we'll state very clearly what the FAA's safety objectives are and allow the aviation industry to spell out for us how it intends to meet those objectives. It will remain the FAA's responsibility to ensure that these objectives are met and that the high standards of safety in air transportation that have been established over the years are not compromised.

In practice, the process will work something like this: a regulation that we propose will consist of objectives derived from the current rules. Those rules...ultimately to be eliminated as rules, per se...will be the basis for FAA-established "guidelines." Each guideline that is applicable to a carrier will become part of that carrier's operating procedures contained under the corresponding objective. Each carrier will be conducting business as usual by being in compliance with the objectives and established guidelines. In effect, then, the objectives are reinforced by the existing rules, which we refer to as guidelines. All of these guidelines, however, are subject to modification to meet the specific needs of an air carrier--at the option of that air carrier, as long as it meets our safety objectives.

The first regulation to be issued under this new concept will combine Federal Aviation Regulation Parts 121, 127, 129, and 135, which are the regulations dealing with the certification and operation of airlines and commuter air carriers. We expect to have a notice of proposed rule making issued later this year as a first step in this new regulatory process.

I believe RBO will provide the aviation industry with the most cost effective and

flexible regulatory framework possible for maintaining its traditional high level of safety.

AIRCRAFT CERTIFICATION DIRECTORATES

Aircraft certification is one of our most important areas of regulation. On February 1st, we adopted a new organizational structure designed to strengthen and streamline the certification process. Under this program, four Aircraft Certification Directorates have been established, each responsible for certification activities in one of the following areas: small airplanes (those weighing 12,500 pounds or less), transport airplanes, rotocraft or helicopters, and aircraft engines and propellers. Our Regional Directors in the Central, Northwest Mountain, Southwest, and New England Regions, respectively, will manage the directorates. The directorate system is another example of our commitment to streamline the regulatory process in keeping with the President's goal of reducing the regulatory burden on the American people.

PROPOSED AIRPORT AND AIRWAY LEGISLATION

Airport and airway legislation, including reinstitution of the flow of aviation user taxes into the Trust Fund, was considered in the last session of Congress, but has not yet passed, although Grants-in-Aid for Airports was authorized on a one-time basis late in fiscal year 1981.

We continue to seek enactment of the airport legislation we proposed last year which contains such features as airport defederalization, state block grants, and financing 85 percent of FAA program costs from the Airport and Airway Trust Fund. We have, however, revised our proposed user fee schedule with a new schedule that is contained in this budget.

Our concept of the Trust Fund is linked to the President's overall program for economic recovery. People who benefit from particular Government services, such as civil aviation, should pay for these services, not the general taxpayer. Continued Federal subsidy of special groups burdens the general taxpayer.

The revised tax schedules are vital to the financing of the higher levels of Facilities and Equipment and Research, Engineering and Development requested in this budget...and which will be requested in subsequent budgets. They are directly linked to completion of the programs contained in the National Airspace System Plan. Users will bear the responsibility of financing the Plan, but they will also be its obvious beneficiaries.

THE SAFETY RECORD

A final area, before getting into the particulars of our budget request, is the safety record of U.S. aviation in 1981. Last year was another record safety year for U.S. airlines.

In fact, until the Air Florida crash on January 13, 1982, the Nation's airlines had gone 26 months since the last fatal jet crash. An unusual series of single-fatality accidents, three of them on the ground and only one involving a passenger, spoiled an otherwise fatality-free year for the large carriers. Commuter carriers recorded decreases in total accidents. "On-demand" air taxis had generally higher accident totals. The increases were slight, and did not represent reversals of long-term trends.

Mr. Chairman, regardless of past achievements in aviation safety, I assure everyone who uses the system or works in the aviation industry that FAA's first priority is and will remain safety. This goes for each FAA employee wherever he or she is located and regardless of his or her job. Our goal has been and always will remain an accident-free system.

FISCAL YEAR 1983 REQUEST FOR APPROPRIATIONS

The fiscal year 1983 budget estimate requests budget authority of $3,903 million, including $324 million proposed for later transmittal, and 49,390 direct, full-time permanent positions. This represents an increase of $840 million over fiscal year 1982 appropriations and an increase of 1,391 in staffing. Transmittal of the additional requests referred to will await enactment of new authorization and user fee levels being proposed by the Administration.

In line with the Administration's government-wide effort to trim back artificial pressures on credit markets, there are no new commitments provided for FAA's Aircraft Purchase Loan Guarantee Program in fiscal year 1983.

THE OPERATIONS APPROPRIATION

The Operations appropriation request totals $2,550 million, of which $2,015 million would be financed from the Airport and Airway Trust Fund, and provides for a workforce of 46,844. This is an increase of $331 million and of 1,466 positions over fiscal year 1982. This funding increase is a net after applying payroll and other savings, and is required for mandatory adjustments such as within-grade salary increases, grade-to-grade promotions, price increases, and the full-year cost of the October 1981 pay raise. The increase of positions reflects an increase of controller positions in centers and towers to provide for the second year of a two-year plan to rebuild the air traffic system.

OPERATION AND MAINTENANCE METROPOLITAN WASHINGTON AIRPORTS (GENERAL FUND)

The operation and maintenance of Washington National and Dulles International Airports will require $32.0 million. This represents an increase in funding of $2.0 million. Positions were reduced by 37 for fiscal year 1983. Washington National is expected to produce an operating profit of $12.8 million and Dulles International a slight loss. The deduction of $6.1 million in depreciation and interest for the two airports results in a net profit of $6.7 million. Funds collected from our airport users are deposited in the Treasury for general Government applications.

CONSTRUCTION, METROPOLITAN WASHINGTON AIRPORTS (GENERAL FUND)

The budget estimate for construction is $13.1 million. A major portion of these funds is needed to construct an extended runway safety area at Washington National.

AIRPORT AND AIRWAY TRUST FUND

At present, aviation user taxes heretofore transferred to the Airport and Airway Trust Fund remain in the General Fund or, in some cases, are transferred to the Highway Trust Fund. Authority to transfer these revenues to the Airport and Airway Trust Fund was not extended by Congress last year as proposed. This budget projects reestablishing the authority to transfer tax revenues to the Trust Fund. We are anticipating the first cash receipts in July 1982. We estimate the Trust Fund will have an unappropriated balance of $2.9 billion at the beginning of fiscal year 1983, and that tax revenue during the year will be $2.7 billion. This amount assumes adoption of the Administration proposals for aviation excise taxes effective July 1, 1982. Adding interest on investment, total revenues are estimated to equal $3.1 billion. Requested appropriations of $3.1 billion will leave an estimated unappropriated balance of $2.9 billion at the end of fiscal year 1983. Of this amount, $1.0 billion is committed by law for future liquidations, thus leaving $1.9 billion to be used in subsequent years.

GRANTS-IN-AID FOR AIRPORTS (AIRPORT AND AIRWAY TRUST FUND)

The Airport and Airway Development Act of 1970, as amended, authorized a program of grants through fiscal year 1981 for airport system planning, and airport development in the 50 States and Territories. This budget assumes that legislation will be enacted to modify and reauthorize these grant programs through fiscal year 1987. It proposes $450.0 million in contract authority for airport planning and development grants in fiscal year 1983. This level would satisfy basic entitlements for primary airports, States and Territories, and for discretionary funds. A liquidating cash appropriation of $234.0 million is requested to ensure that sufficient Trust Fund cash will be available to pay obligations from prior years, as well as for those expected to be incurred during fiscal year 1983.

FACILITIES AND EQUIPMENT
(AIRPORT AND AIRWAY TRUST FUND)

Our FY 1983 request of $725.0 million, $425.0 million in this request and $300.0 million proposed for later transmittal, represents the amount necessary for continuing the safety, capacity, and efficiency of the Nation's Airspace System in accordance with the National Airspace System Plan.

One of the most significant features of this appropriation request is the Flight Service Station Modernization Program. The FY 1983 request of $74.3 million continues the program to automate, consolidate, and, where necessary, construct buildings at selected airports having significant general aviation activity. When implemented, this program will provide a modern network of automated Flight Service Stations sufficient to meet demands through 1995 without a corresponding increase in staffing, and which will provide better service and safety for general aviation pilots.

Another significant feature of this request is the initial year of funding for the agency's aircraft fleet conversion/flight inspection modernization program. Aircraft fuel costs have risen dramatically and agency and national energy conservation goals require a 20 percent reduction in the use of aviation fuel. This goal can be met or exceeded by the agency's use of more fuel-efficient aircraft. The increment of this program for FY 1983 is the request for $86.4 million to purchase twenty-five aircraft and related equipment. The total progam will save in excess of five million gallons of fuel and $15.9 million annually. These annual savings along with cost avoidance items associated with continued operation of the present fleet will result in benefits exceeding costs in less than five years.

Also included in this request are:

- Completion of the enhancements to the Direct Access Radar Channel (DARC)...a backup for the present enroute computer system.

- An Oceanic Display and Probe System for safety and efficiency in oceanic airspace.

- Central Flow Control Facility consolidation and upgrading.

- Enhancements to the National Airspace Data Interchange Network (NADIN).

The request also funds the replacement of obsolete, tube-type instrument landing systems, and the replacement, relocation, modernization, and improvement of air route traffic control centers, communications systems, and terminal control facilities.

RESEARCH, ENGINEERING AND DEVELOPMENT (AIRPORT AND AIRWAY TRUST FUND)

Our request of $134.0 million for this appropriation, $110.0 million in this request, and $24.0 million proposed for later transmittal, will provide the technical basis upon which we can make air travel safer and increase the efficiency of the air traffic control system. The major thrust of the FY 1983 budget request is directed to supporting the requirements of the National Airspace System Plan. It includes: (1) development activities in support of the implementation of air traffic control automation system capable of meeting the demands for services in the later 1980's and the 1990's; (2) the early completion of the Traffic Alert and Collision Avoidance System (TCAS) which will provide an independent backup for the air traffic control system in avoiding midair collisions; (3) development of the Automated En Route (AERA) air traffic control which is the key to the productivity gains necessary to assure the economic viability of the system in the 1990's; (4) continuation of the joint FAA/DOD/DOC development of a doppler weather radar which will provide weather data for display on the controller's displays; and (5) continuing progress in the critical safety related developments associated with antimisting fuels, cabin fire safety, crashworthiness, seats, bird ingestion, and airport/aircraft explosives related security. This request includes engineering and development activities associated with FAA's regulatory responsibilities (aircraft safety, environmental and medical) formerly carried in the "Facilities, Engineering and Development (General Fund)" account. This change is consistent with our legislative proposal to use the Trust Fund for these activities.

Biography of J. Lynn Helms

ADMINISTRATOR

HELMS, J. LYNN

APPOINTED: April 1981

TYPE OF APPOINTMENT: Presidential

PAY CATEGORY: Statutory Level II

DOB: March 1, 1925

SCD:

BIOGRAPHICAL SUMMARY

July 1974 to November 1980 - President, Chairman, Chief Executive Officer, Piper Aircraft Corporation, Lockhaven, Pennsylvania.
September 1970 to July 1974 - President, Norden Division, United Technologies Corporation, Norwalk, Connecticut.
April 1963 to September 1970 - Various positions - from Assistant General Manager of Systems Division to Group Vice President, The Bendix Corporation, Southfield, Michigan.
January 1956 to April 1963 - Design Engineer and General Sales Manager, North Amercian Aviation, Columbus, Ohio.
July 1945 to January 1956 - U.S. Marine Corps.

EDUCATION, PROFESSIONAL MEMBERSHIPS, AND LICENSES

1942-43 - Oklahoma University
1943 - University of South Carolina
1943-44 - Alabama Polytechnic Institute
1944 - University of Georgia
1944-45 - U.S. Navy Aero. Graduate
Commercial Pilot Certificate, Single and Multi-engine Land and Sea Instrument Ratings

RECOGNITION AND AWARD

Tau Beta Pi (Engineering Society of Excellence)
1978 - General Aviation Man of the Year
1980 - General James H. Doolittle Award and Trophy
Honorary Professor, Faculty of National Defense University (ICAF)
Fellow, American Institute of Aeronautics and Astronautics

Biography of Michael J. Fenello

DEPUTY ADMINISTRATOR

FENELLO, MICHAEL J.

APPOINTED: April 1981

TYPE OF APPOINTMENT: Presidential

PAY CATEGORY: STATUTORY LEVEL IV

DOB: January 22, 1916

SCD: January 3, 1979

BIOGRAPHICAL SUMMARY

1976 to 1981 - Vice President, Systems Operations and Safety, Eastern Airlines
1972 to 1976 - Vice President, Operational Control, Eastern Airlines
1968 to 1972 - Division Vice President, Operational Coordination, and Assistant to Vice President, Operations Group, Eastern Airlines
1963 to 1968 - Director, Administration Flight Operations, Miami, Eastern Airlines
1963 - Assistant Operations Manager, New York, Eastern Airlines
1946 to 1963 - Air Transport Pilot, Eastern Airlines
1943 to 1946 - U.S. Navy Pilot, World War II
1943 - Air Transport Pilot, Eastern Airlines
1938 to 1942 - Junior and Senior High School Teacher and Coach

EDUCATION, PROFESSIONAL MEMBERSHIPS, AND LICENSES

1938 - B.S. Degree from Buffalo State
1941 - M.A. Degree from New York University
Various Management Training Courses
1942 - Commercial, Instrument, Instructor Pilot Training
1943 - U.S. Navy Flight School, Corpus Christi
Commercial Pilot Certificate, Single and Multi-engine
Airline Pilots Association

BIOGRAPHY OF CHARLES E. WEITHONER

ASSOCIATE ADMINISTRATOR
FOR ADMINISTRATION

WEITHONER, CHARLES E.

APPOINTED: November 1974

TYPE OF APPOINTMENT: Senior Executive Service - Career

PAY CATEGORY: ES-4

DOB: January 2, 1931

SCD: August 14, 1954

BIOGRAPHICAL SUMMARY

December 1972 to November 1974 - Deputy Associate Administrator for Administration, FAA, Washington, D.C., GS-17
January 1972 to December 1972 - Deputy Director, Management Systems, OST, Washington, D.C., GS-17
January 1968 to December 1972 - Chief, Personnel Programs Division and Deputy Director of Personnel and Training, OST, Washington, D.C., GS-16
July 1967 to January 1968 - Senior Management Analyst, Office of Management Systems, OST, Washington, D.C., GS-15
February 1967 to July 1967 - Special Assistant to Assistant Secretary for Administration, OST, Washington, D.C., GS-15
July 1964 to February 1967 - Special Assistant to Associate Administrator for Administration, FAA, Washington, D.C., GS-15
January 1963 to July 1964 - Employment Specialist, Office of Personnel and Training, FAA, Washington, D.C., GS-14
October 1960 to January 1963 - Personnel Management Specialist, Civil Service Commission, Washington, D.C., GS-13
June 1957 to October 1960 - Various personnel positions, Civil Service Commission, St. Louis, Missouri, GS-9/12

June 1956 to June 1957 - Management Intern, Civil Service Commission, St. Louis, Missouri, GS-7
July 1953 to May 1955 - Military Service, U.S. Army

EDUCATION, PROFESSIONAL MEMBERSHIPS, AND LICENSES

1949 - 1951 - Joplin Jr. College, Missouri
1951 - 1953 - Southwest Missouri State College, B.A. (political science)
1956 - 1959 - St. Louis University, M.A. (public administration)
American Society for Public Administration

RECOGNITION AND AWARDS

1980 & 1981 - SES Performance Award

BIOGRAPHY OF WILLIAM "BILL" F. SHEA

ASSOCIATE ADMINISTRATOR FOR AIRPORTS

SHEA, WILLIAM "BILL" F.

APPOINTED: May 1981

TYPE OF APPOINTMENT: Senior Executive Service-Noncareer

PAY CATEGORY: ES-3

DOB: October 5, 192[illegible]

SCD:

BIOGRAPHICAL SUMMARY

August 1976 to May 1981 - Director of Aviation, Port of Portland, Portland, Oregon.
August 1974 to August 1976 - Commissioner of Transportation, Broome County, Binghamton, New York (Aviation and Transit Divisions).
August 1973 to August 1974 - Chief, Division of Aeronautics, California Department of Transportation, Sacramento, California
February 1970 to August 1973 - Commissioner of Aviation, Broome County, Binghamton, New York.
January 1968 to February 1970 - Airport Manager, Burlington, Vermont.
May 1962 to January 1968 - Chancellor of Hawthorne College, Antrim, New Hampshire.

EDUCATION, PROFESSIONAL MEMBERSHIPS, AND LICENSES

1953 - University of New Hampshire, B.A. (Government)
1953 - Suffolk Law School (Legal Ethics)
1959 - Massachusetts State College, M.Ed.
1961 - University of Alabama - Graduate Fellowship
1962 - Hawthorne College, Ed.D. (Honorary)
1966 - FAA Academy - Upgrade C.F.I.
Accredited Airport Executive - AAAE
President, New York Airport Managers Association - 1976
Board Member, Airport Operators Council International - 1974-1977
Regional Vice President - NASAO - 1973 - 1974
Member of Special Committee on Air Transport Activities for Transportation Research Board - 1976-1981
Vice President, Northeast Chapter of AAAE - 1973

Biography of Walter S. Luffsey

ASSOCIATE ADMINISTRATOR
FOR AVIATION STANDARDS

LUFFSEY, WALTER S.

APPOINTED: April 1980

TYPE OF APPOINTMENT: Senior Executive
Service - Career

PAY CATEGORY: ES-4

DOB: March 15, 1934

SCD: February 6, 1956

BIOGRAPHICAL SUMMARY

October 1979 to April 1980 - Deputy Associate Administrator for Aviation Standards, Wash., D.C., ES-4
March 1979 to October 1979 - Technical Assistant, Associate Administrator for Aviation Standards, Wash., D.C., GS-15
August 1978 to March 1979 - Technical Assistant, Associate Administrator for Policy and Int'l Aviation Affairs, Wash., D.C., GS-15
June 1975 to August 1978 - Technical Assistant, Associate Administrator for Policy Development and Review, Wash., D.C., GS-15
September 1974 to June 1975 - Chief, Program Management Staff, Systems Research and Development Service, Wash., D.C., GS-15
March 1973 to September 1974 - Special Assistant, Associate Administrator for Engineering and Development, Washington, D.C., GS-15
August 1972 to March 1973 - Assistant Chief, Program Management Staff, Systems Research and Development Service, Wash., D.C., GS-15
March 1971 to August 1972 - Chief, Program Analysis and Reports Branch, Systems Research and Development Service, Wash., D.C., GS-15
November 1965 to March 1971 - Senior ATC Analyst, Operations Analysis Branch, SRDS, Wash., D.C., GS-13/14/15
April 1963 to November 1965 - ATCS (Gen.), SRDS, NAFEC Operations Research Branch, Atlantic City, N.J., GS-13
May 1960 to April 1963 - ATCS Supervisory Controller Coordinator ACY Eastern Region, Atlantic City, N.J., GS-11/12
June 1957 to May 1960 - ATCS (Gen.), Norfolk, Va., GS-6/8/10
April 1955 to March 1958 - USAF/Virginia ANG Pilot

EDUCATION, PROFESSIONAL MEMBERSHIPS, AND LICENSES

1952-1955 - University of Richmond
1963-1965 - Department of Agriculture Graduate School

RECOGNITION AND AWARDS

September 1969 - Certificate of Appreciation, DOT Air Traffic Control Advisory Committee
October 1970 - FAA/DOT Nominee, Arthur S. Flemming Award
1980 & 1981 - SES Performance Award

Biography of Albert P. Albrecht

ASSOCIATE ADMINISTRATOR FOR
ENGINEERING AND DEVELOPMENT

ALBRECHT, ALBERT P.

APPOINTED: June 1979

TYPE OF APPOINTMENT: Senior Executive
Service - Career

PAY CATEGORY: ES-4

DOB: August 23, 1920

SCD: March 12, 1972

BIOGRAPHICAL SUMMARY

April 1976 to June 1979 - Deputy Associate Administrator for Engineering and Development, PL-313.
March 1972 to April 1976 - Director, Systems Evaluation, Office of Assistant Secretary of Defense (Intelligence), Department of Defense, Washington, D. C. PL-313
July 1968 to March 1972 - Executive Vice President, Telluron Company, Santa Monica, California.
April 1961 to March 1968 - Vice President, Space-General Corporation, El Monte, California.
November 1958 to April 1961 - Vice President/General Manager, Space Electronics Corporation, Glendale, California.
March 1943 to November 1958 - Chief Engineer, Gilfillan Brothers, Los Angeles, California.
June 1942 to March 1943 - Research Associate, Radiation Laboratory, M.I.T., Cambridge, Massachusetts.

EDUCATION, PROFESSIONAL MEMBERSHIPS, AND LICENSES

1942 - B.S. - California Institute of Technology - Electrical Engineering
1947 - M.S. - University of Southern California - Electrical Engineering
Registered Professional Engineer, State of California
Associate Fellow, American Institute of Aeronautics and Astronautics
Senior Member, Institute of Electrical and Electronics Engineers
Assoc. Member, Sigma Xi

RECOGNITION AND AWARDS

1981 - SES Performance Award

Biography of Neal A. Blake

DEPUTY ASSOCIATE ADMINISTRATOR FOR
ENGINEERING AND DEVELOPMENT

BLAKE, NEAL A.

APPOINTED: December 1979

TYPE OF APPOINTMENT: Senior Executive
Service - Career

PAY CATEGORY: ES-4

DOB: May 3, 1926

SCD: May 7, 1962

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BIOGRAPHICAL SUMMARY

November 1974 to December 1979 - Deputy Director, Office of Systems Engineering Management, FAA, Washington, D. C., PL-313
November 1972 to November 1974 - Technical Advisor, Office of Systems Engineering Management, FAA, Washington, D. C., PL-313
October 1966 to November 1972 - Technical Assistant, ATC Development Division, Systems Research and Development Service, FAA, Washington, D. C., PL-313
May 1962 to October 1966 - Executive Staff Member, Data Display, Systems Design Team, Systems Research and Development Service, FAA, Washington, D. C., PL-313
August 1960 to May 1962 - Associate Lab Director, Avionic Transmission Lab, ITT, ITT Federal Labs, Nutley, New Jersey
November 1958 to August 1960 - Head, Advanced Display Systems and Automation Section, ITT, Fort Wayne, Indiana
June 1956 to November 1958 - Head Automation Section, Farnsworth Electronics, ITT, Fort Wayne, Indiana
June 1952 to June 1956 - Project Engineering Assistant to Head Circuit Research Department, Capehart Farnsworth, ITT, Fort Wayne, Indiana

EDUCATION, PROFESSIONAL MEMBERSHIPS, AND LICENSES

1951 - B.E. - Yale University - Electrical Engineering
1952 - M.E. - Yale University - Electrical Engineering
Airline Transport Pilot License

RECOGNITION AND AWARDS

1967/68 - Sustained Superior Performance Awards
1971 - Special Achievement Award
1975 - Secretary's Award for Meritorious Achievement
1978 - Outstanding Performance Rating
1980 - Presidential Meritorious Executive Rank Award
1981 - SES Performance Award

Biography of Donald R. Segner

ASSOCIATE ADMINISTRATOR FOR POLICY
AND INTERNATIONAL AVIATION

SEGNER, DONALD R.

APPOINTED: April 1981

TYPE OF APPOINTMENT: Senior Executive
Service - Noncareer

PAY CATEGORY: ES-3

DOB: December 14, 1925

SCD: March 15, 1967

BIOGRAPHICAL SUMMARY

August 1975 to April 1981 - Project Leader, VTXTS Program, Lockheed California Co., Burbank, California.
January 1974 to August 1975 - Executive Assistant to President - Helo Programs, Lockheed International Co., Burbank, California.
August 1962 to January 1974 - Chief Pilot and Chairman, Safety Board, Lockheed California Co., Burbank, California.
November 1943 to June 1962 - Cadet to Lt. Col., USMC, U.S. Navy and U.S. Marine Corps Reserve.

EDUCATION, PROFESSIONAL MEMBERSHIPS, AND LICENSES

University of Pacific
Gelndale College
U.S. Naval Post Graduate School
U.S. Naval Test Pilot School

RECOGNITION AND AWARDS

1972 - Octave Chanute Award, AIAA
1972 - Ivan C. Kinchloe Award, Society of Experimental Test Pilots
1970 - Elected Fellow, Society of Experimental Test Pilots
1963 - Ray Tenhoff Award, Society of Experimental Test Pilots

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BIOGRAPHY OF WILLIAM A. PLISSNER

DIRECTOR, OFFICE OF BUDGET

PLISSNER, WILLIAM A.

APPOINTED: April 1973

TYPE OF APPOINTMENT: Senior Executive Service - Career

PAY CATEGORY: ES-4

DOB: October 17, 1929

SCD: July 28, 1953

BIOGRAPHICAL SUMMARY

January 1972 to April 1973 - Controller, Office of Economic Opportunity, Washington, D. C., GS-16/17.
November 1971 to December 1971 - Acting Budget and Finance Officer, Cost of Living Council, Washington, D. C., GS-16.
June 1971 to November 1971 - Deputy Controller, Office of Economic Opportunity, Washington, D. C., GS-16.
October 1967 to June 1971 - Director, Program Analysis Division, Office of Planning, Research and Evaluation, Office of Economic Opportunity, Washington, D. C., GS-15/16.
July 1967 to October 1967 - Chief, Program Control Office, Assistant Secretary (INL), Office of Secretary of Defense, Washington, D. C., GS-15.
October 1962 to September 1966 - Staff Director, Program Evaluation Div., Office of Secretary of Defense, Washington, D. C., GS-13.
August 1961 to October 1962 - Assistant Chief, Administrative Management Division, FAA, Washington, D. C., GS-14.
December 1959 to August 1961 - Chief, Maintenance & Operations Budget Branch and Chief, Management Reporting Branch, Bureau of Naval Weapons, Department of Navy, Washington, D. C., GS-13/14.
January 1957 to December 1959 - Budget Analyst for Guided Missiles and Chief, Procurement Estimates & Analysis Specialist, Bureau of Ordnance, Department of Navy, Washington, D. C., GS-11/13.
July 1955 to January 1957 - Management Intern and Assistant for Top Management Reporting, Bureau of Ordnance, Department of Navy, Washington, D. C., GS-7/9.
July 1948 to July 1954 - U. S. Marine Reserve

EDUCATION, PROFESSIONAL MEMBERSHIPS, AND LICENSES

1947-1951 - Harvard University, A.B. Public Affairs
1966-1967 - Princeton University (Woodrow Wilson School)

RECOGNITIONS AND AWARDS

1980 - Secretary s Award for Meritorious Achievement
1980 - SES Performance Award

BIOGRAPHY OF RAYMOND J. VAN VUREN

DIRECTOR
AIR TRAFFIC SERVICE

VAN VUREN, RAYMOND J.

APPOINTED: June 1980

TYPE OF APPOINTMENT: Senior Executive Service - Career

PAY CATEGORY: ES-4

DOB: June 19, 1932

SCD: December 28, 1951

BIOGRAPHICAL SUMMARY

April 1979 to June 1980 - Deputy Director, Air Traffic Service, Headquarters FAA, Washington, D.C., GS-17.
March 1974 to April 1979 - Chief, Air Traffic Division, Eastern Region, FAA, Jamaica, New York, GS-16.
June 1972 to March 1974 - Chief, Air Traffic Division, Rocky Mountain Region, FAA, Denver, Colorado, GS-15.
January 1970 to June 1972 - Special Assistant to the Associate Administrator For Operations, Headquarters FAA, Washington, D.C., GS-15.
July 1967 to January 1970 - Chief, Anchorage/Elmendorf RAPCON, FAA, Anchorage, Alaska, GS-15.
December 1966 to July 1967 - Chief, Air Traffic Branch, FAA, Fairbanks, Alaska, GS-14.
June 1965 to December 1966 - Chief, Eielson RAPCON, FAA, Fairbanks, Alaska, GS-14.
September 1964 to June 1965 - Chief, Combined Station/Tower, FAA, Battle Creek, Michigan, GS-12.
November 1961 to September 1964 - Supervisor, Chicago/O'Hare Tower and Radar, FAA, Chicago, Illinois, GS-13.
December 1955 to November 1961 - Controller, Chicago Midway Tower and Radar, FAA, Chicago, Illinois, GS-5 to GS-12.
October 1951 to December 1955 - Pilot and Air Traffic Control USAF. Numerous locations in U.S. and Korea.

EDUCATION, PROFESSIONAL MEMBERSHIPS, AND LICENSES

1954 - University of Wisconsin
1967 - University of Alaska
1970 - FAA Executive School
1978 - Federal Executive Institute
Member of Air Traffic Controllers Association

RECOGNITION AND AWARDS

1980 - SES Performance Award
1981 - Presidential Meritorious Executive Rank Award

Biography of Homer L. Reighard

FEDERAL AIR SURGEON
OFFICE OF AVIATION MEDICINE

REIGHARD, HOMER L., M.D.

APPOINTED: March 1975

TYPE OF APPOINTMENT: Senior Executive Service - Career

PAY CATEGORY: ES-4

DOB: December 1, 1924

SSN: [illegible]

BIOGRAPHICAL SUMMARY

August 1964 to March 1975 - Deputy Federal Air Surgeon, Office of Aviation Medicine, FAA, Washington, D.C., PL-313.
August 1953 to August 1964 - Medical Officer (Aviation Medicine); Chief, Medical Standards Division; Special Assistant for Professional Programs; Acting Civil Air Surgeon, CAA/FAA, Washington, D.C., GS-13 through statutory position.
December 1953 to June 1960 - Physician--General Practice, Bethesda, MD.
October 1950 to May 1953 - Military Service, Flight Surgeon, U. S. Air Force.
July 1950 to September 1950 - Acting Hospital Administrator, Temple University Hospital, Philadelphia, PA.
July 1949 to June 1950 - Physician-in-Charge, Accidents Dispensary, Temple University Hospital, Philadelphia, PA.

EDUCATION, PROFESSIONAL MEMBERSHIPS, AND LICENSES

1942 - B.S. - Franklin and Marshall College - Cum Laude
1944 - M.D. - Temple University School of Medicine
1948 - 1949 - Internship, rotating - Temple University Hospital
1950 - USAF School of Aviation Medicine
1950 - M.P.H. - Harvard School of Public Health
June 1967 - FAA Executive School
Feb. - March 1972 - Federal Executive Institute

Associate Member, Medical Society of the District of Columbia
Fellow, Aerospace Medical Association
Licensed to practice medicine in the State of Maryland

RECOGNITION AND AWARDS

1944 - Phi Beta Kappa
1970 - FAA Meritorious Service Award
1977 - Harry G. Moseley Award from Aerospace Medical Association

Biography of Harvey B. Safeer

DIRECTOR
OFFICE OF AVIATION POLICY AND PLANS

SAFEER, HARVEY B.

APPOINTED: November 1980

TYPE OF APPOINTMENT: Senior Executive Service - Career

PAY CATEGORY: ES-4

DOB: July 31, 1937

SCD: February 3, 1968

BIOGRAPHICAL SUMMARY

February 1980 to November 1980 - Director of Aviation Policy, FAA, Washington, D.C., ES-4
January 1979 to February 1980 - Technical Assistant to the Associate Administrator for Policy and International Aviation Affairs, FAA, Washington, D.C., GS-15
October 1976 to January 1979 - Chief, Policy Analysis Division, Office of Aviation Policy, FAA, Washington, D.C., GS-15
October 1974 to October 1976 - Chief, Environmental Policy Division, Office of Environmental Quality, FAA, Washington, D.C., GS-15
August 1973 to September 1974 - Executive Development Candidate, FAA, Washington, D.C., GS-15
June 1973 to August 1973 - Acting Chief, Regulatory Policy and Standards Division, Office of Noise Abatement, Office of the Secretary, Department of Transportation, Washington, D.C., GS-15
August 1971 to June 1973 - Operations Research Analyst, Office of Noise Abatement, Office of the Secretary, Department of Transportation, Washington, D.C., GS-15
January 1968 to July 1971 - Director, Resource Allocation Department, Serendipity Incorporated, Arlington, Virginia
September 1967 to December 1967 - Director for Manpower Requirements, Office of the Secretary, Department of Defense, Washington, D.C., GS-15
April 1966 to September 1967 - Operations Research Analyst, Manpower Requirements Directorate, Office of the Secretary, Department of Defense, Washington, D.C., GS-14
April 1964 to March 1966 - Member of the Technical Staff, Research Analysis Corporation, McLean, Virginia
July 1962 to April 1964 - Labor Economist, Bureau of Employment Security, Department of Labor, GS-11/12

EDUCATION, PROFESSIONAL MEMBERSHIPS, AND LICENSES

1961 - University of Minnesota, M.A., Economics
1958 - City College of New York, B.B.A., Economics

RECOGNITION AND AWARDS

1978/79 - Outstanding Performance Ratings
1978 - Letter of Commendation, Administrator
1977 - Letter of Commendation
1972/75/76/77 - Special Achievement Awards
1972 - Citation, Secretary of Transportation
1966 - High Quality Performance Award
1980 & 1981 - SES Performance Award

Biography of J. E. Murdock, III

CHIEF COUNSEL

MURDOCK, J. E., III

APPOINTED: August 1981

TYPE OF APPOINTMENT: Senior Executive Service - Noncareer

PAY CATEGORY: ES-03

DOB: March 26, 1947

SCD: July 12, 1981

BIOGRAPHICAL SUMMARY

February 1980 to July 1981 - General Attorney, United Airlines, Inc., Law Division, Chicago, Illinois
February 1979 to January 1980 - Special Assignment-Strategic Planning, United Airlines, Inc., Chicago, Illinois
April 1977 to February 1979 - General Attorney, United Airlines, Inc., Law Division, Chicago, Illinois
August 1974 to April 1977 - Attorney, United Airlines, Inc., Law Division, Chicago, Illinois
January 1972 to August 1974 - Associate, Shaw, Pittman, Potts & Trowbridge, Washington, D. C.

EDUCATION, PROFESSIONAL MEMBERSHIPS, AND LICENSES

1980 - Kellogg School of Management, Northwestern
1972 - J.D., Columbia
1969 - A.B., Princeton (History)

Member, American Bar Association
Member, Illinois Bar Association
Member, District of Columbia Bar Association

RECOGNITION AND AWARDS

United Airlines' Annual Law Division Award for Outstanding Achievement

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Biography of James A. Wilding

DIRECTOR, METROPOLITAN WASHINGTON AIRPORTS

WILDING, JAMES A.

APPOINTED: December 1979

TYPE OF APPOINTMENT: Senior Executive Service - Career

PAY CATEGORY: ES-4

DOB: December 22, 1937

SCD: July 4, 1957

BIOGRAPHICAL SUMMARY

June 1978 to December 1979 - Deputy Director, Metropolitan Washington Airports, FAA, Washington, D. C., GS-16/ES-4.

July 1975 to June 1978 - Deputy Director, Metropolitan Washington Airport Service, FAA, Washington, D. C., GS-15.
October 1972 to July 1975 - Chief, Engineering Staff, Metropolitan Washington Airport Service, FAA, Washington, D. C., GS-15.
January 1974 to March 1974 - Acting Director, National Capital Airports, FAA, Washington, D. C., GS-15.
February 1972 to July 1972 - Chief, Planning Engineer, National Capital Airports, FAA, Washington, D. C., GS-14.
June 1969 to February 1972 - Chief, Design Engineer, National Capital Airports, FAA, Washington, D. C., GS-14.
October 1967 to June 1969 - Civil Engineer (Planning), Bureau of National Capital Airports, FAA, Washington, D. C., GS-13.
May 1963 to October 1967 - Civil Engineer (General), Bureau of National Capital Airports, FAA, Washington, D. C., GS-13.
June 1959 to May 1964 - Progressive positions with FAA's Bureau of Facilities and, through reorganization, Bureau of National Capital Airports, on planning, design, and construction of Dulles International Airport, Washington, D. C., GS-7/11.

EDUCATION, PROFESSIONAL MEMBERSHIPS, AND LICENSES

1959 Catholic University of America, B.A. in Civil Engineering
1967-1968 - Catholic University of America (graduate courses)

RECOGNITION AND AWARDS

1981 - SES Performance Award

Biography of Gerald L. Thompson

DIRECTOR
AIRWAY FACILITIES SERVICE

THOMPSON, GERALD L.

APPOINTED: February 1980

TYPE OF APPOINTEMENT: Senior
Executive Service - Career

PAY CATEGORY: ES-4

DOB: November 18, 1937

SCD: August 17, 1958

BIOGRAPHICAL SUMMARY

January 1980 to February 1980 - Deputy Director, Airway Facilities Service, FAA, Washington, D.C., ES-4.
September 1979 to Janauary 1980 - Chief, Airway Systems Division, Airway Facilities Service, FAA, Washington, D.C., ES-4.
November 1976 to September 1979 - Chief, Automation Engineering Division, Airway Facilites Service, FAA, Washington, D.C., GS-16/ES-4.
March 1975 to November 1976 - Acting Chief and Chief, Automation Engineering Division, Airway Facilities Service, GS-15.
June 1973 to March 1975 - Chief, Automation Engineering Support Branch, Airway Facilities Service (at NAFEC), GS-15.
September 1971 to June 1973 - Acting Chief, Automation Engineering Support Branch, Airway Facilities Service (at NAFEC), GS-13/14.
May 1971 to September 1971 - Electronic Engineer, Systems Maintenance Service, GS-13.
December 1970 to May 1971 - Electronic Engineer, Facilities Installation Service, GS-13.
January 1966 to December 1970 - Electronic Engineer, Western Region, San Francisco, California, GS-9 to GS-12.
December 1962 to December 1965 - Electronic Technician, Western Region, Oakland, California, GS-5 to GS-9.

EDUCATION, PROFESSIONAL MEMBERSHIPS, AND LICENSES

1955-1956 - New Mexico Institute of Mining and Technololgy
1961 - Idaho State College
1964-1966 - Chabot College, Hayward, California
1966-1967 - California State College at Hayward

RECOGNITION AND AWARDS

1980 & 1981 - SES Performance Award

SUMMARIZED STATEMENT

Mr. HELMS. Mr. Chairman and members of the committee, I welcome the opportunity for this hearing before your committee to present the Federal Aviation Administration's budget request for fiscal year 1983. For fiscal year 1983 the President's budget includes proposals for FAA of $3.9 billion in budget authority and $3.4 billion in outlays, including amounts proposed for later transmittal in connection with action on the administration's authorization and user fee proposal.

I have submitted a comprehensive statement for the record, but I would like to highlight a few items of importance to the committee.

I recognize the purpose of this hearing, Mr. Chairman, is to review all aspects of our proposed fiscal year 1983 budget. As such, it must include an appraisal of our performance during the last year, including the funds you authorized for fiscal year 1982 and appropriated accordingly.

To begin, I call attention to the single most significant event to occur in FAA history. Specifically, Mr. Chairman, I refer to the absolutely outstanding performance of our FAA employees in meeting the needs of our Nation's citizenry, when 11,400 people violated the law and their oath by engaging in an illegal strike. With long hours, heavy workload, a major shifting of people, some from their homes as a temporary measure, some for extended periods, the use of supporting people not normally engaged in such a supporting role in the air traffic system, the efforts of our remaining controllers, supervisors, technicians, flight service specialists, and supporting administrative personnel collectively accomplished what virtually all evaluators concluded early in the strike was not possible, and they did it with not one unqualified person at a work station, with no derogation of safety, and through the worst winter of this century. I know of no Government agency faced with such a challenge that has ever responded better. While we may have problems and adversities and have improvements to make internally, I cannot allow these to overshadow the tremendous performance of our people. I am very proud of them.

Together with the nearly universal cooperation of the aviation industry and our ability to control and balance the flow of air traffic, we have met the Nation's needs, possibly not what each individual or organization wanted, but we have met their needs. We are presently handling about 83 percent of the prestrike traffic activity. By September 1982 I expect it to be at 90 percent, and 5 to 6 months later, back to 100 percent capacity and ready to accommodate an era of renewed growth.

More importantly, the traveling public is not now constrained in being able to travel by air.

STRIKE RECOVERY

The application of certain planned actions, including flow control, will be necessary through 1982, but these restrictions will continually decrease as new controllers are trained and capacity increases. The current restrictions have been effective, but they do require constant monitoring and revision to provide the best possible service to all users.

However, we firmly intend to return this function to the private sector as soon as practical. Our recovery plans are in place and working. In December 1981 we completed and began implementation of the Air Traffic Service Recovery and Revitalization Plan. This plan is the foundation of a program to rebuild and improve the air traffic control system. The cornerstone of the recovery effort is the training of new air traffic controllers to replace those fired for their strike activities. We estimate that approximately 8,500 new controllers will be needed to bring air traffic control staffing to a level capable of handling prestrike air traffic demand. Since the strike, 3,500 air traffic control trainees have been enrolled at the FAA academy. The first graduates, totaling 1,160 at present, have arrived at critical facilities for classroom and on-the-job training.

Since April 1981, with the help of the aviation community, we have been conducting a thorough review of the National Airspace System. This review was focused on two areas, the first of which is the National Airspace Review and the second, the National Airspace System Plan. The National Airspace Review is an ongoing, comprehensive study of the operational uses of the Nation's airspace that will review particular aspects of the National Airspace System and make recommendations for its improvement. The National Airspace System Plan parallels that and provides a comprehensive program for modernizing and improving air traffic control and airway facilities' services from now to the year 2000. Our goal is to combine the equipment and facility improvements in the National Airspace System Plan with the procedural and policy improvements in the National Airspace Review to produce an integrated system, tailored to each type of user.

AVIATION SAFETY

Our air traffic control and air navigation system is today the safest in the world, but it is a combination of equipment, skills, and procedures that have evolved over 40 years. It does not have the capability to accommodate future aviation needs. Much of the equipment uses vacuum tubes, different types of computers and software for both en route and terminal facilities, and overlapping coverage of navigation and communications facilities. We cannot meet the future demands of aviation by more of the same. We must restructure the system both in facilities and equipment and in procedures to accommodate the projected demand.

COMPUTER REPLACEMENT

Highlights of the National Airspace System Plan, now undergoing final review, include replacement of the existing Model 9020 computers beginning in the mid-1980's with host computers. The host computers will have the capability to use existing software with minimal modifications. We will also have the ability to use the same basic system in both the en route and terminal areas since the data required and functions performed are basically the same for both areas.

I wish to emphasize, Mr. Chairman, that these computers will not be set aside or, to use the phrase of the industry, a throw-away computer, as implied in the OTA Report. This has never been our intent.

Other highlights include: Automation and consolidation of more than 300 flight service stations into a network of 61 automated facilities which are under way. These are well known to the committee and have been reviewed over past years.

A major upgrading of weather services and adoption of a new generation of doppler weather radar for improved weather presentations.

The plan indicates procurement of new microwave landing systems in fiscal year 1983, and we expect to have 1,250 in place by 1998.

Consolidation of the current en route centers and 188 terminal facilities into some 60 major air traffic control facilities by the year 2000. Facility consolidations must be viewed as independent of the National Airspace System Plan, and equally, must be pursued in any event for their obvious cost savings.

PROPOSED LEGISLATION

Airport and airway legislation, including reinstitution of the flow of aviation user taxes into the trust fund, was considered in the last session of Congress but has not been enacted. Only grants-in-aid for airports was authorized on a one-time basis late in fiscal year 1981.

We continue to seek enactment of the airport legislation we proposed last year which contains such features as airport defederalization, State block grants, and financing 85 percent of FAA costs from the trust fund. We have, however, revised our proposed user fee schedule. The new fees are essential for financing the higher levels of facilities and equipment and research, engineering and development for this and subsequent budgets. They are directly linked to completion of the programs contained in the National Airspace System Plan.

BUDGET REQUEST

The fiscal year 1983 budget estimate requests budget authority of $3,903 million, including $324 million proposed for later transmittal and 49,390 direct, full-time, permanent positions. This represents an increase of $840 million over the fiscal year 1982 appropriation, and an increase of 1,391 in staffing. The increase in staffing is, of course, the hiring and training of replacement new air traffic controllers. Transmittal of the additional requests referred to will await enactment of new authorization and user fee levels being proposed by the administration.

The budget contains the resources needed to continue the operation and maintenance of the National Airspace System, including regulatory functions, and for the second year of a 2-year plan to rebuild the Air Traffic Control System.

LOAN GUARANTEE PROGRAM

In line with the administration's Government-wide effort to trim back artificial pressures on credit markets, there are no new commitments provided for FAA's Aircraft Purchase Loan Guarantee program in fiscal year 1983. The budget assumes that enabling legislation will be enacted to modify and reauthorize grant programs through fiscal year 1987. It also provides funds necessaary for continuing the safety, capacity, and efficiency of the National Airspace System and will provide the technical basis upon which we can make air travel safer and increase the efficiency of the Air Traffic Control System.

FACILITIES AND EQUIPMENT

Our fiscal year 1983 facilities and equipment request of $725 million, $425 million in this request and $300 million proposed for later transmittal, represents the amount necessary for continuing the safety, capacity, and efficiency of the Nation's National Airspace System Plan.

RESEARCH, ENGINEERING, AND DEVELOPMENT

Finally, our request of $134 million for the research, engineering, and development appropriation, $110 million in this request and $24 million proposed for later transmittal, will provide the technical basis upon which we can make air travel safer and increase the efficiency of the Air Traffic Control System.

Again, Mr. Chairman, I ask that the full statement be accepted for the record. My staff and I now welcome the opportunity to answer your questions.

MODERNIZATION OF ATC SYSTEM

Senator ANDREWS. Thank you, Mr. Helms. Your full statement, of course, has appeared in the record.

I think it is generally acknowledged that the Air Traffic Control System needs modernization. Your National Air Space System Plan goes a long way toward addressing this problem, but it appears you put a major equipment and facilities investment plan together before you completed your National Airspace Review.

If I understand correctly, the review, which will take 42 months to complete, is the study of how the airspace should be used, including among other things traffic flow, low altitude airways, design of terminal control areas, and a whole host of different subjects. Your decision to plan for a $7.8 billion facilities and equipment investment before you have even determined how the airways will be operating during the next 20 years is a little bit like putting the cart before the horse.

Can you give us some rationale for doing this? I am sure you must have it.

Mr. HELMS. Yes, sir.

SYSTEMS ENGINEERING

Actually there are three major system efforts which will affect this Nation's capability for air commerce. In reverse order as regards system engineering is the National Airport System Plan, the National Airspace Review, and the National Airspace System Plan. The reason for this is in systems engineering you take that segment which has the longest leadtime, identify it first, and start to work. The one with the shortest leadtime allows you to make later decisions which would influence them.

For example, we can build a new runway in 24 months. We can build a new airfield in 36 months. We can build an entire new airfield complex in 48 months. Therefore, the specific identification of the airports and how they fit into the hub and reliever airport concept is something on which we can wait literally 2 years before we are faced with final decisions.

Backing from that is the National Airspace Review which is directed toward determining how well we utilize this cube of air that exists over the country. In its entirety it will only last 42 months. However, by virtue of the 17 committees, we start to get outputs in 9 months, and there are first formal reports in 18 to 24 months.

The one with the longest leadtime is the technical system. That is the one in which we have the greatest risk and the one which will have both the major expenditures and requires the greater integration. It will take 9 to 10 years to implement, and it will take longer than that to be completely effective.

Therefore, by identifying the National Airspace System Plan, the facilities and equipment first, laying that program out and making sure that it is directly integrated with the National Airspace Review by quarterly reviews and biannual reviews, we then start to blend those two together. Finally, we will be 2 years under way on those two, working together, when we identify the final Airport Systems Plan. So, the three of them are directly integrated, and the reason the National Airspace System Plan was identified first is, it has the longest leadtime. We must nail that one down in an effort to be able to identify the technical interfaces.

NEED FOR RELIEVER RUNWAYS

Senator ANDREWS. But you feel that the runways and other facilities that you can put down within 24 months are going to be the ones that are going to be needed in this overall system when you finally get it all planned out?

Mr. HELMS. We must start to identify them now, but for example, we can take an O'Hare, a Houston Intercontinental, the 22 major system airports that we have now that constrain traffic. The question is not solely must we build another airport, but rather, on those existing airports, can we build a 3,500-foot runway which will relieve the long runway and let the small aircraft use the other one.

We have a perfect example of this at JFK where we have 31 Left and 31 Right. There are two streams of widebodies onto those two run-

ways. In addition, there is a 3,900-foot runway identified as 32 which the small aircraft operate from. There are many of these airports in which we could put that 3,500-foot runway or 4,000-foot runway, on in a very short order. Our only problem in the long leadtime is to be able to take those major centers and insure that there is adequate acreage to insure that if it is necessary for a complete reliever airport, that it exists. And in most cases in the United States, that exists.

Yes; I think we can defer that if we have to. I think we can defer the need for identifying new areas of geography in a community, and we, of course, can put the reliever runways in Dallas-Fort Worth, Houston Intercontinental, many of the existing airports.

There is one other factor that influences this. I have been in detailed discussions with the Department of Defense. They now agree that: One; in the past they were not too interested in having general aviation airports or airways or operations at their airports because primarily they were going to pick up the tab. If in fact we have sufficient funds in the trust fund to now have the trust fund pay for those facilities, they would not object as much. Second; they also agree that it is proper now that we start to take a look at those DOD airfields which could be made available for sharing. An example: Dobbins Air Force Base near Atlanta. This would open up the entire northwest area of Atlanta for a reliever runway which could be paid for out of ADAP funds, out of the trust fund, not impact DOD, and provide a reliever airport without having to take real estate from the local citizenry.

We have identified 34 of these airfields which we are jointly working with DOD. This combination, then, allows us to defer the airport decisions with a high degree of confidence that we are not impacting air commerce later on.

AIRSIDE CONGESTION/RUNWAY PROBLEMS

Senator ANDREWS. I am not all that sure that we should build extra runways before we use those Defense fields. After all, who do they think paid for the runways in the first place? It was the same taxpayers that are paying for the civilian runways. If you have got capability and capacity in a military field, it would seem to make a lot more sense to use the runways and the other facilities jointly, but to stick the civilian terminal and the rest away from the Defense facility. There ought to be a good deal of merit in jointly using those facilities.

Mr. HELMS. Yes, sir, that is true. At the same time we do have to acknowledge that there are certain mission oriented airfields and the compatibility of equipment does impact it. For example, if we take a 10,000 foot runway at O'Hare and land this little small airplane on the end, it will take him on an average 1 minute and 18 seconds to taxi to the end, and that runway is tied up because our regulations will not allow us to put a widebody, or other aircraft, on that runway while he is on the runway. If we put a normal operation, such as we have today, a 727, his average time on that runway would be about 54 to 55 seconds. If we build highspeed turnoffs, we can get him off in 44 seconds. So, the comparison we are talking about is between 44 seconds on a runway as com-

pared to 118. This same type of tradeoff precisely can be done in certain military airfields, so that a flight of F–16's or others should not be mixed on the same runway. I agree with the Department of Defense. So, those that are specifically mission oriented, we are asking for potential airside congestion and runway problems, and we should build a separate runway. But, there are plenty of airfields without having to get in those that are completely dedicated to military training maneuvers.

Senator ANDREWS. That is true.

AVIATION GROWTH RATE

Mr. Helms, the Office of Technology Assessment (OTA) recently issued a report that included some observations on FAA traffic projections. As I understand it, traffic projections could influence the timetable you are following for implementing the National Airspace System Plan. According to OTA, your forecasting methods may tend to produce overly optimistic growth assumptions, yet rapid growth in the general aviation fleet accounts for the greatest proportion of projected needs in your plan. Additionally, it seems that your forecasts do not account for such items as increased fuel prices, the effect of the higher fuel taxes you are proposing, and the constraints on traffic that airport capacity will impose.

Rather than go into the specifics of the FAA forecasting process, why do you not just clarify for the committee how closely your plan is tied to traffic levels, and how the timing of the plan would be affected by your growth projections.

Mr. HELMS. The plan which we have identified takes into consideration that there are two extremes: one, no growth whatsoever; and second, that the growth may in fact continue at the level which is projected by the FAA. If there is no growth, the existing computers, which is the heart of the OTA study I think the Chairman is referring to, clearly confirms that those computers eventually are going to become obsolete. In fact, we are having more and more difficulty maintaining them, and they do not have the capacity to handle, not the increase in population of aircraft, but rather, the increase in services that will be required. Therefore, those computers would have to be replaced in any event.

Now, if we select a computer architecture which says we will size that computer replacement to the present level of capacity, but do so in such a way that as the capacity of aircraft goes up, all we do is add one more black box of processing, we can then preserve that computer clear through to the year 2000. That is what we did.

I think that the distinction between ourselves and OTA was, in the OTA assessment, they pulled out for their sample the time period of 1960 to 1970. During that period of time the FAA did not have econometric models. Had they picked the time period of 1970 to 1980, for example, from 1973 through 1981, the FAA has slightly underestimated. We have no reason to believe that our models are any more accurate than anyone else's, but the configuration we chose on the computer was to take in the event either of those situations, either traffic

staying level or growing to the maximum extent that we have projected is possible.

COMPUTER REHOSTING

Senator ANDREWS. Well, OTA also tells us that you have a plan to rehost your old air traffic computer software in new computer hardware before new software for the system is developed.

If you have this type of software that is now compatible with the hardware you have, how are you going to get any additional capability by sticking it into new hardware? Would you not do better by eliminating this step of rehosting old software and giving yourself additional time to benefit from improved technology and leave the purchase of the new hardware until such time as you have the software designed to go with it?

Mr. HELMS. Well, apparently——

Senator ANDREWS. I understand every year they are making fantastic improvements in this computer equipment. At least they have in the last 15 years, or so.

Mr. HELMS. Yes, sir, and I think that will continue. Every year there will be improvements, which raises the question of what year or what time do you say we should go forward?

Backing up to the earlier part of the Chairman's question, apparently we did not do an effective job in transmitting the details of our plan to the OTA. It is not and has not been our plan to rehost at a later date. For example, the Senate sent us a report and outlined eight possible options that we should look at. In starting my review of last year, I expanded this to 13 options which we examined in detail; and in fact, one of the options was a rehost. But it takes very little effort and analysis to realize that is not cost effective. To buy a complete new computer system now, use it 8 years, and then throw it away with a rehost is just not the way to go.

By taking advantage of the capability that exists now, and the new models of computers that will start to come on line in the marketplace next year, which says that is the highest level of computer capability proven—and that is the key word, Mr. Chairman, proven—then we can move now.

The reason why our situation is different from everyone else's is if we go to the computer manufacturers and ask for a reliability specification, they will not give us one. Instead, they say we will make a commitment that our computer will not be out of service more than 30 minutes each 30 days. For a business or general purpose computers that is quite adequate or quite acceptable. In our case, we need computers that will not be out of service 2 minutes in a year, and the only way we can get that is to back it up and bank it.

Senator ANDREWS. Well, then, if you buy new computer hardware now, as I understand the technology, that is going to constrain the type of software you could buy 4 to 5 years down the pike. In other words, you are buying the state-of-the-art hardware and you are putting the old software into it.

Mr. HELMS. Yes, sir.

Senator ANDREWS. Then you are drifting along until you get your new software designed. But the point is that the software you now have works fine in the hardware you now have, and if you buy new hardware now before you have the new software, by the time you get the new software there could be a whale of a lot of changes in hardware design.

This is an old farmer talking, but you do not buy a new tractor until you have the implements to hang on behind it that are different from the ones you are using on the old tractor, unless your tractor is somehow or another worn out, and it would seem that getting them in tandem would make a lot more sense than doing it in this long leadtime.

Mr. HELMS. Yes, sir, but at the same time you would not buy a Farmall 30 for a 7-acre patch. What I am saying is that we cannot take the risk nationally, despite what people may think, of taking on the job of new computers, new software, and a new sector suite all at once. The risk is too great. We will run out of capacity; we will run out of time in about 1988 to 1990, even if we took all the 9020A's and converted them to 9020D's. That says whatever this Nation decides has to be in place by about 1990, or aviation will literally start to come to a halt.

The way to solve that, and take advantage of it so that we reduce the risk and give us the benefit, is first buy the machine and specify that it will accommodate the new type software. When those machines are in, while they are there, we also procure the new sector suite. That is the point where we make the savings. That is the point where the controllers interface.

Both of those, then, would be compatible with the existing software.

Now, the reason we want to do that, and the reason we should go that way is what if this new computer does not work out? It is very easy for the technical people to say let's go buy a new computer, or let's wait until the technology is there, but what if you have a problem? At that point it is too late because we will have used up the pad between what can be gained from extending the 9020A or the 9020D.

What we have laid out, then, is a program where we have a 2-year pad to make absolutely sure that each of these steps works before we have to cut over. That is the advantage of holding the A to D conversion in our hip pocket; in the event that either (A) the new computer, (B) the new sector suite, or (C) the new software has problems, and I have never seen a set of software go in yet that did not have problems.

I am most concerned that if we delay we are going to be to the point where we no longer have the relief, we no longer have the pad in our hip pocket.

PURCHASE OF COMPUTERS

Senator ANDREWS. Do you have funds in the fiscal year 1983 budget for these new computers?

Mr. HELMS. Yes, sir, for the first phase of them for engineering and the initial competition.

Senator ANDREWS. GAO sent a memo to Secretary Lewis last February that concluded that FAA would be violating P.L. 89–306 if it

continues to follow the plan to bypass GSA procedure for buying general purpose, mass produced, commercially available computers for the Air Traffic Control System modernization.

Are you in compliance with this memo?

Mr. HELMS. Yes, sir, to the extent that we have responded. These will not be literally off-the-shelf; we will slightly modify them to achieve the reliability self-checking areas we want, and the ability to add-on, to add additional computing elements later.

That notwithstanding, however, we are in contact with GSA. We intend to go that way even though we think we could defend the other; rather than have a problem, we are in contact with GSA and we intend to move forward in compliance with the GAO request.

COMPUTER CAPACITY

Senator ANDREWS. I understand that you have close to $4 million in this budget that you are supporting today dedicated to research, engineering, and development of navigational systems such as the NAVSTAR satellite and the Global Positioning System.

Why do you not dedicate more of your systems, land and satellite communications and their potential for handling trunk message traffic to the Air Traffic Control System?

Mr. HELMS. You cannot separate one portion of air traffic control from the other and do so with a high sense of confidence. During my evaluation of the total system, I looked in depth at each of the potential technologies that might be used. Using the one which the Chairman just identified, if in fact we wanted to have that system onstream by 1990, and I must emphasize again, we will start to run out of capacity then, not because of an increase in air traffic but because the machines themselves will not be able to process all the data, starting in about 1988 to 1990. Being, I will say, conservative in saying we must have a GPS capability onstream by 1990, to do so we would have had to have those components being installed in aircraft in 1988 to 1989. To do that they would have had to have been in production by 1987 to 1988. Backing off, the tests would have had to have been completed and conformed to specifications by 1986 to 1987. For that purpose, the R. & D. would have had to have been completed in 1984 to 1985. For that to have been done, we would have had to have agreement on the RTCA specifications and agreement with the Department of Defense on what they will let us use in the way of precision P Code. If we want, for example, precision approach, we would have to have plus or minus 3 meters. If we want to have en route navigation, the present 500 meters is not needed; we could go to 1,000 meters. But even to do that, we would have had to have the P Code released in 1981.

To insure that our analysis inside the FAA was accurate, I had a separate meeting on the subject with the Deputy Secretary of Defense for Research and Engineering, Dr. DeLauer. We reviewed it and concluded that even if he and I, right at that sitting, could make the decision, no approvals by anybody else in the Federal Government, we could not possibly get that P Code transmitted over into a box that could be used by the civil aviation community for at least 2 years.

That meeting was held last October. So, from October 1981 to October 1982 would be the first. What I am saying is that we cannot get it in within the timeframe. Therefore, I backed up and said then, let's configure our system so that when it does come on stream, the National Airspace System Plan can take it without detriment. The computer configuration we have chosen, the sector suite, the entire system that we have identified will in fact take navigation, communications, positioning data from the GPS or another satellite when it comes onstream and is proven. It cannot come onstream before 1990. There is no airborne system, no antennas which the small aircraft could use.

FSS AUTOMATION AND CONSOLIDATION

Senator ANDREWS. I understand you plan to automate and consolidate more than 300 flight service stations into 61 facilities. In your statement you mentioned computers for this automation effort were funded in fiscal year 1981 and are scheduled for delivery in late 1982.

Have you determined whether these computers are going to be located in facilities that are leased or constructed by FAA?

Mr. HELMS. Initially, the computers will be located at our existing centers, but the people who will use them will be at the 64 facilities. The FAA program had been directed toward constructing a specific building to a specific specification size, parking lot, and so forth. Now, this was made, of course, before this administration took office. On review, it became apparent that FAA does not need a unique design for an entire building. What it needs is a specific cubic volume of air and a floor condition, air conditioning, electrical power, and so forth, which can be put in any kind of building. In addition, we need parking spaces for our employees.

On looking at this further, it became apparent that we do not need to build new and unique buildings. We can take an existing building as long as it has the security, and those other aspects that I mentioned, and live with it.

Further, from my experience in the industrial world, it became apparent that we do not have to fund all of these and construct them. Rather, we can go to the various communities and through their capability of industrial revenue bonds, let them decide how badly they want it. After all, a $20 million payroll is worth something to the community.

We did this and we found that we dramatically lowered the potential cost to the Government of having to build all these facilities. In fact, one community offered to construct this building and lease it to us for $1 a year.

So, in 1982 we included funding for building construction. Now our policy is to go to the communities and have them construct the buildings which we will lease. We have five commitments to lease, and we will only construct as a last resort. Each community will be allowed to bid, and wherever that community likes to, we will be glad to locate it there.

Communications technology today lets us put it most anyplace, Mr. Chairman.

AUTOMATION MASTER PLAN

Senator ANDREWS. How are you going to time the consolidation to insure the computer and facilities are going to be ready simultaneously?

Mr. HELMS. We have a master plan, an overall plan which phases this in. It not only includes just the timing of the facilities and equipment, but also makes absolutely certain that we do not decrease our capability to the pilot community in those areas during this time period.

For example, for a given flight service station, we can have activity as low as 2,700 flight services per year per employee or as high as 24,000. The average is in the neighborhood of 13,000 to 14,000. It is clear that in those flight service stations where we only have 2,700 or 3,000 flight services per year, this is a grossly inefficient use of people. It is a waste of taxpayer money. Therefore, we will consolidate those first, remoting them with a terminal. That tie-in then must be fitted in with the computer program in the facilities. The computers are already on order for the first bunch. The phasing of the sites has been established, and our overall plan says that we are precisely in accordance with what has been previously submitted to the Congress.

Senator ANDREWS. How are the staffing levels at these flight service stations going to be affected by the modernization?

Mr. HELMS. Well, the overall intent is twofold. First is to improve the output to the user, the aviation community and the others who may need it. Second the intent is to reduce the number of people involved. People are our most expensive item that we have. So the staffing level will go down.

Senator ANDREWS. Are these long-term projections?

Mr. HELMS. Yes, sir, it will be in the long-term. As I was going to say, however, during the interim time——

Senator ANDREWS. You say it will go down. Go down to what, 50 percent, 60 percent?

Mr. HELMS. We expect that based on the increased specialist productivity and direct user access, 3,500 flight service personnel would be required, compared with 4,500 today.

I should emphasize, however, Mr. Chairman, that this goes through the entire time period—up to 1995. We will actually have to hire people during this time period because we will have retirements. This will not result in an arbitrary reduction in force at any period in time.

Senator ANDREWS. So, you are not anticipating any reduction in force. You are anticipating that you can handle the same amount of traffic flow that you are handling today with what appears to be about 30 percent fewer technicians, but since the traffic growth will increase, your technician level may well stay constant or not drop much more than can be taken care of by normal attrition.

Mr. HELMS. Actually, to provide equal service to the aviation community, we would have to make sure that we had a minimum service level. That service level of 3,500 people will be able to handle 126 million additional flight services. There may be some reductions in force, but that reduction will be because of the consolidation of those very, very inefficient locales such as the people that are at facilities and

handle 2,700 to 3,000 flight services per year. The plan itself, however, will not result in it. Those will be gradually phased down by retirement.

USER FEES

Senator ANDREWS. Your budget justification for user fees has a $3.1 billion spending level, but you noted that you would like to spend $774 million more than that amount if your user fee legislation is adopted.

What is included in the $774 million package?

Mr. HELMS. Is the Chairman referring to the F. & E. $725 million, or is there a separate segment of $774 million?

Senator ANDREWS. You have a $3.1 billion budget level overall without user fees. Then you say if you put in user fees you are going to spend $774 million more, and what I was wondering is what do you have in this $774 million additional package?

Mr. HELMS. All right, sir. What we did was construct our budget under two possibilities; one with the higher user fees which we feel are valid where we would go ahead with the full program; the other without those higher fees. Therefore, we submitted a program of $425 million F. & E. and $110 million R. & D., with the higher levels not yet submitted, dependent upon the Congress' action on user fees. It is that latter portion, then, the $774 million that represents the higher user fees that we have requested.

What it really says is that without the user fees we cannot go forward with the National Airspace System Plan.

Mr. PLISSNER. Mr. Chairman, your $774 million figure also includes the enactment of new authorization for the Airport Development Aid program of $450 million. That program's authorization, in addition to its funding, has lapsed. So in order for the additional money in F. & E. and R. & D. to be used, plus any money in ADAP, we would need the new legislation to be enacted.

Senator ANDREWS. If this legislation is not passed, would we conclude that these items will not be funded?

Mr. HELMS. If it is not passed, you can very certainly anticipate that, Mr. Chairman. The administration will not go forward without the revenue.

PRIORITY FUNDING

Senator ANDREWS. Are the items in these add-on packages of least importance in terms of current FAA priorities?

Mr. HELMS. We purposely did not try to establish a priority. We took each of the items that we had and broke them up into two categories, so that we could maintain the safe and efficient use of the Nation's airspace; at the same time not expand the capacity and take on the new equipment modernization. So you will find in some cases all of the funding of a portion of the FAA's needs are in the $425 million. In some cases it is split between the $425 and the $300 million; and in some cases, very few, all of the additional funding is in the $300 million supplemental to be requested.

Senator ANDREWS. So we will get a detailed justification of this in the supplemental, you say.

Mr. HELMS. Yes.

Senator ANDREWS. Now, how much of the $3.1 billion budget justification, which is not tied to increased user fees, is dedicated to the modernization of the Air Traffic Control System?

Mr. HELMS. Mr. Chairman, I would like to furnish that for the record because I do not think we have broken it out specifically that way.

[The information follows:]

USER FEE BUDGET

The $425 million request for the Facilities and Equipment budget is for modernization and improvement of the air traffic control system. Of the $110 million request for Research, Engineering, and Development, $72.9 million is in direct support of the national airspace system plan. The balance of the request, $37.1 million, is needed to conduct critical research and development efforts such as airfield safety, aircraft separation assurance, and so forth.

AIRPORT AND AIRWAY TRUST FUND

Senator ANDREWS. For fiscal year 1983 you are proposing to fund 85 percent of FAA expenses out of the Airport and Airway Trust Fund.

What is your rationale for this change?

Mr. HELMS. The administration also proposed this last year. Simply put, it comes down to a belief that the total administration program, including the reduction of individual and corporate taxes, should be offset having those who use the service pay for it. In this case, of FAA's total costs, approximately 15 percent is used by the Department of Defense and other Federal agencies in the Nation's service. The remaining 85 percent, therefore, is that portion which should be absorbed by users. Therefore, we have proposed that 85 percent of those funds be picked up by a revenue package supported by the users.

Senator ANDREWS. Do you still propose to recover 85 percent of your costs from the trust fund if the user fee is not passed?

Mr. HELMS. If it is passed, sir?

Senator ANDREWS. If it is not passed?

Mr. HELMS. Well, of course, under the present system if it is not passed we are allowed to draw down a certain amount out of the trust fund, and the trust fund would rapidly go to zero within the next 2 or 3 years anyway if there were not additional authorizing legislation.

Worse yet, those funds which are collected now go into the General Fund; they do not go into the Aviation Trust Fund. So the aviation community loses both ways under the existing system. What revenue is collected goes into the General Fund, and the existing trust fund uncommitted balance is steadily drawing down.

I am sure that there would be no question we would continue to draw down that existing trust fund.

Senator ANDREWS. So funds from the new legislation will not flow into the trust fund.

Mr. HELMS. By new legislation, if you mean that which we are proposing, no, sir, that would not be correct. They will specifically flow into the trust fund. There will be 100 percent of the new funds that will go into the Aviation Trust Fund.

Senator ANDREWS. Now, if this legislation was passed, how long will it take before these revenues will flow into the trust fund?

Mr. HELMS. We have proposed that the initial part go in 1982 after the bill is signed. There will be very little of that going into the trust fund in 1982. It comes to my mind that the entire part of 1982, assuming a July 1 go-ahead, would be less than $300 million. So we are not talking about a heavy commitment in 1982.

In 1983, however, they would obviously flow into the trust fund for the full year. We have also proposed a program that recognizes we cannot draw down the existing uncommitted balance in 1 year, but rather spread it over 3 years. If it took 10 years to build it up, we should use 2 or 3 years to phase it down so that it does not have that much of a one-time impact on the national economy.

The program which we propose, then, would result in about 5 years out we would have funded all of the ongoing programs, the modernization, all the efforts necessary to recover the Air Traffic Control System, and leave us with a trust fund balance of approximately $1 billion. It seems prudent to maintain somewhere in the neighborhood of $700 million to $1 billion, because none of us can predict the following year's economic environment. This allows us to provide continuity, then, on our modernization effort.

LOAN GUARANTEE PROGRAM

Senator ANDREWS. What is your justification for not including any funding for the Aircraft Purchase Loan Guarantee Program in the fiscal year 1983 budget?

Mr. HELMS. When we look at what has happened since deregulation, and even what has happened since August 3 of last year, we see that contrary to what people may have thought initially, there has in fact been what the originators of deregulation had in mind. Specifically, many communities lost service starting in 1978, and it dropped down for about the first 2 years. Since then, not only have those communities gained service, but there are some 400 communities across the United States now that have scheduled air service that did not have it before deregulation.

This would say, then, that there is both a willingness on the part of the private sector to furnish air service, and that there is funding available. We now have 61 applications for filings for air carriers. Historically we have found that about half of those turn out to be real. The other half, if you will, are paper, people who may have had an idea but it did not transmit into reality.

In addition, we have seen since August 3, despite the restraint in the Nation's air traffic system, 10 new carriers operating. Two more may be operating this week, which says there is capability in the private sector and there is funding in the private sector. Therefore, in an effort to reduce the artificial constraints on the money market and help get inflation better under control and reduce interest rates, it is the administration's position that there is funding available in the private sector. While this program served a very valuable purpose over the years, it apparently is not as mandatory in this time period.

Senator ANDREWS. Is there funding available just for the big planes? I remember we had a breakout at about 55 or 60 passengers.

Mr. HELMS. Sixty passengers, sir.

Senator ANDREWS. Or is it also adequate in your judgment for the smaller, commuter type airplanes as well?

Mr. HELMS. Apparently the smaller commuter—and I am specifically referring to those under 30 passengers, for example, 19 and 16—apparently they have been able to find financing because we get very few applications. But more importantly, those which cannot meet the financial criteria are going into business on their own. I can only conclude by the large number of filings, the new operations starting up in which we do not fund or do not guarantee their loans, that there is financing available in the marketplace.

BLOCK GRANTS

Senator ANDREWS. Your obligational authority for the Grants-in-Aid Airports program expired at the end of fiscal year 1981. Your legislative proposal for fiscal years 1982 and 1983 includes a plan to give block grants to States to administer the program, to exclude the Nation's largest air carrier airports by making them ineligible for Federal assistance.

What impact will these defederalization proposals have on those airports which would be ineligible or have to get their funds from the State?

Have you studied those impacts or are you just——

Mr. HELMS. We have tried to look at it rather extensively, Mr. Chairman, and there is no single group that fits a mold. For example, the top 21 airports each have an enplanement annually of over 3½ million or more passengers. That is clearly a profitmaking enterprise; it can support itself without any question. The next group of 20 goes down to just under 2 million each and our studies show that in the neighborhood of about 1.7 to 2 million enplanements annually—and this depends on the individual airport, its management, the State it is in, State revenues, how it is managed, but in that general area—it also can generate sufficient revenue to cover its own expenses.

For those other airports, then, it is the use of block grants through the States, and working with each of the States on an approved aviation plan, where we believe that the block grant system will provide their needs.

Our budget proposal, our funding proposals also do anticipate that these funds will go then to the airports that were not defederalized. We have no reason to believe that additional funding is not required, and this proposal of $450 million is specifically intended to fulfill the needs of those smaller airports.

FISCAL YEAR 1982 FUNDING LEVEL "CAP"

Senator ANDREWS. When we look at budget justifications, we compare them with last year. As you know the pressure is on this year and you are proposing a substantial increase in funding over fiscal year 1982 levels. What would be the effect of holding your funding to the 1982 level?

Mr. HELMS. If the FAA as a single agency had to live with precisely the same funds there would be two significant results. First, we lost 11,400 controllers a year ago, and we are in the process of rebuilding. If we had to stay at this level, there is no question, we could not rebuild the Nation's Air Traffic Control System back to what it was on August 2, 1981.

Second, we have deferred some of our logistics and spares equipment out of 1982 in anticipation that the National Airspace System Plan would be authorized in 1983. I did not want to see us load up on long-term spares or equipment which might be phased out in coming years. Therefore, we would then be faced with having to live with a lower inventory of spares. I could identify a number of items, but there is absolutely no question in my mind, that the capability of the Nation's airplanes to fly, and the air traveler to move, the entire impact on the national economy of a reduction of that sort would significantly reduce the aviation capability of the Nation.

Senator ANDREWS. Well, you have a $136 million supplemental request in fiscal year 1982, and it contains $95 million in expenses as a result of overtime and reimbursement to the Department of Defense for operating the Air Traffic Control System.

Now, are these costs accounted for in your fiscal year 1983 request, or are you going to be coming back next year for another supplemental for these types of things?

Mr. HELMS. No, sir, we will not be coming back in for another supplemental in 1983. The reason that we had to come in in 1982 was, of course, at the time the 1982 budget was laid out we had no idea there was going to be a strike.

Senator ANDREWS. That is right, but at the present time that is included in the content of your regular 1983 budget, correct?

Mr. HELMS. Yes, sir, that is correct.

LEASED TELECOMMUNICATIONS SERVICES

Senator ANDREWS. You are also requesting about $25 million to finance rate increases in leased telecommunications services.

According to your budget justification, rate increases will cost FAA an additional $42 million annually.

Have you taken any action to try to reduce these telecommunications costs?

Mr. HELMS. Yes, sir, in the reviews last year when I started to examine what makes up our budget, in July of last year, it became evident that one of the major items that had not been anticipated was the extreme growth rate in telecommunications costs. It was at that time that I first identified we had a $42 million potential overrun in communications alone for 1982.

We initiated action then that took $17 million of that in other ways. We absorbed it, and not just by offloading money. We cut out lines. In some cases, for example, a given flight service station in New Mexico may have four lines; we cut it down to three. We have gone to greater use of FAA's own RML, remote microwave linking communications

systems so that we can load those up higher. So basically we have done everything we can and absorbed this $17 million by reducing costs. The $25 million we just could not cover, Mr. Chairman.

SAFETY AT NATIONAL AIRPORT

Senator ANDREWS. In the wake of the Air Florida crash last January several questions were raised regarding the safety of National Airport. Many of the views expressed related to ongoing safety concerns.

What sort of studies has the FAA done on safety at National Airport, and what type of followup action are you taking on those matters?

Mr. HELMS. The FAA continues to believe that flight operations at National Airport are safe as long as they are conducted in accordance with the applicable Federal Aviation regulations. Of course, since that accident the FAA has cooperated fully and actively in the investigation with the NTSB, including the immediate distribution of some 15 recommendations made by NTSB during the field phase of the investigation.

We have not undertaken any new studies since the Air Florida accident but have continued to pursue several safety-related programs at National which were well under way prior to the accident. That, for example, includes the extension of the runway 36 overrun area. I emphasize overrun. We are not trying to extend the runway. Funds for this are being requested in fiscal year 1983. A multiyear program was started in 1979 to modernize the fire, crash, and rescue vehicles at National.

During 1981 we took delivery of the first of the new air-driven rescue boats. It worked out quite well, and we have now purchased a second one. These were efforts that were under way prior to the crash.

In April 1981 we issued a memorandum to all the air carriers cautioning them on the need to make very certain that both their crews were trained in winter operations and reaffirming again the desirability of insuring that their airplanes be inspected.

In January of this year we had issued a notice or we contacted all airports again to make sure that they were examining the runway conditions. Of course, this was the worst winter we have had in a century.

So, we have not conducted a special effort in response to the Air Florida crash, but we have had additional emphasis and are continuing it.

Senator ANDREWS. Did you say you have an air-powered rescue boat at National now?

Mr. HELMS. We have had one since early last year, and after an evaluation period, then required a second one which was delivered just after the Air Florida accident.

Senator ANDREWS. If it is there being evaluated, why was it not trotted out when you had the crash?

Mr. HELMS. It was in fact used that evening, but had difficulty moving through the ice, sir. There was ice over the river.

Senator ANDREWS. But I thought if it was airpowered, that is the type of thing that could scoot along on top of the ice.

Mr. HELMS. Not without difficulty when the ice is relatively thin. When I say air driven, I mean with a propeller which allows this boat to go into very, very shallow water. The intent was to try to get into areas where airplanes may be in very shallow water that a boat cannot go into. I think you are thinking of the air cushion vehicle.

Senator ANDREWS. I was thinking about the type of vehicle that has a propeller on it and is able to go over ice as well as water.

Mr. HELMS. Yes, sir. Ours is not an air cushion vehicle which rides on a small layer, a cushion of air some 6 to 12 inches high, as well as the power. It is not that kind.

Senator ANDREWS. And it is not propelled by an aircraft propeller that is mounted up above so it can move along——

Mr. HELMS. It does have that capability, yes, sir.

Senator ANDREWS. Given an airport that has a coating of ice over the water around it 3 months out of the year, one would think that you would look for some type of boat that had the propulsion to go over either thin or thick ice. Obviously you do not have to go over ground with it, but it would be awfully nice to have had something that would get out on the ice.

Mr. HELMS. The area that may be frozen over here involves that area of the river up above the railroad bridge. Below that, the discharge from the city's heating plants and others, rarely freeze over the Potomac, which is the area between Bolling and National and there on down. Invariably it is water.

Senator ANDREWS. Well, that is all part of the statistics of probability, but probability pointed out in this case that when the plane went down, it went in the part of the river that had ice on it. That was the first time that has happened in 20 some odd years out there. That is why it would appear that if you are going to have a boat there, it would be one that could go over a thin sheet of ice as well as water.

I would be interested in any further comments you might have on that one for the record.

[The information follows:]

AIRBOATS AT NATIONAL AIRPORT

The airboats are, in fact, very versatile and are capable of operating in most ice conditions. We have done extensive training with these boats in winter conditions, and intend to continue that training.

Recognizing that there will be instances when both the local jurisdictions and our own boat response to a river emergency will be slowed by ice on the river, we have also increased the amount of water rescue equipment, including inflatable rafts, which are carried on our fire and rescue trucks so that rescues can be launched from the adjacent shores prior to arrival of the larger boats.

SLOT ALLOCATION

Senator ANDREWS. I would like to commend you, incidentally, on the tremendous job you have done in keeping the Air Traffic Control System operational in the aftermath of the strike.

FAA has had to impose some restrictions on the flow of air traffic because of the strike. This has caused some problems, as I am sure you are aware.

How long are you going to continue to allocate slots at airports?

Mr. HELMS. First, Mr. Chairman, if there is anyone that wants to get out of the slot allocation business, it is I and the FAA. That is not our purpose, and we do not want to be involved.

We have three priorities, if you will, so that you can understand the total process. The first priority is for presidential, medical emergency, and military flights. The second priority was established early in the game to insure that the Nation's business and governmental functions could continue. That includes the Speaker of the House, the President of the Senate, the majority and minority leader of the House and the Senate, and the Cabinet officers. There are, for security reasons, two other agency heads involved.

Incidentally, during the entire 9 months, on only two of those occasions have any of those people ever called me to request some special service, which clearly shows no one has abused it and it has not been a problem.

The third area, then, relates to the remainder and by far the predominance of all aviation activity. We expect to be in the slot allocation business up until next April or May. As we bring back our capability—for example, to 90 percent in September and back to 100 percent in April or May of next year, at capacity—we still will have to keep some flow control to separate these from peaks. That will slowly be relieved, and from the period of April or May through December of next year, we will have taken off all slot allocations and all controls.

So we have about another 17 months full control, but we only have about another 12 months to the point where we achieve 100 percent prestrike capacity.

CONTROLLER TRAINING

Senator ANDREWS. I understand that when you initially began training large numbers of students last summer in Oklahoma City, there was a fairly substantial failure rate. As a matter of fact, a good deal of press attention was given to that. And as a result you put some new guidelines into place regarding acceptance into the training program.

What was the problem with the first group of trainees going through your program, and what changes in the guidelines did you have to make? And even more important, did they improve your failure rate?

Mr. HELMS. Well, first, Mr. Chairman, it is important to note that despite the press releases, the failure rates of the first class or two were not the highest that the FAA academy has recorded.

Second, of greater importance to us is to find out what happens, and are we reviewing our traditional and historical graduation rates. And the answer to the latter question is yes.

Starting in January, we modified our program to the extent that a new test was introduced in October of last year, and our first class entered. This new test provided a different approach to examining the students. The initial indications are that this new test has been very effective, that in fact, the loss rate or failure rate of academy students is going down. But I must emphasize, the sample is far too small. We only have two classes coming out at 17 weeks, and it is too early to say for sure.

During the entire time period, however, when we examined all classes that have entered from last September, our failure rate is essentially exactly what it was prior to August 3, in the earlier classes.

Senator ANDREWS. What is that?

Mr. HELMS. About 29.9 percent failed, 12.6 percent have withdrawn, and that is historical, for a total loss of 42.5 percent, or about 58 percent to 60 percent passed. That is right on the curve that we have ordinarily had.

Senator ANDREWS. Could you have cut that rate by maintaining tighter admittance procedures?

Mr. HELMS. The new test, we think—and I want to emphasize it is too early to say for sure—it appears that the loss rate for those under the new test is looking closer to 18 to 20 percent, but it is difficult to say because we have had some classes go through that had a loss rate of only 18 or 20 percent, and we may have just been on that side of the curve in this sample.

RECRUITMENT OF WOMEN AND MINORITIES

Senator ANDREWS. What kind of an impact are these new guidelines having on the recruitment of women and minorities?

Mr. HELMS. They have no impact whatsoever.

Now, in some cases we did have a slight reduction, but we have emphasized to the maximum extent possible the inclusion of minorities and women. In fact, the FAA's total employment of minorities and women has gone up from 4.7 percent in 1977–78, to 7.6 percent last year. So, we have had a very hard effort, a very strong effort, to increase the employment of both minorities and women.

TOWER CLOSURES

Senator ANDREWS. One very visible result of the controllers' strike was that you closed 80 airport control towers. Some of these towers had been previously identified in a GAO report as being uneconomical to operate. Your statement mentions that you have reopened 17 of these towers at least on a part-time basis, and I understand that some other towers have reopened with nongovernment controllers at local expense.

How many towers that were closed as a result of the strike are now operated by local authorities?

Mr. HELMS. Mr. Chairman, I do not know that—pardon me, we know precisely how many have been opened and operated by local authorities. We do know of four specifically. We have encouraged the local authorities to open the towers. In fact, we are willing to lease them the equipment at $1 a year if they feel that it is that important to them. We are quite willing to do that.

There have been a total of 80 control towers that were closed due to the strike. Eighteen have since been reopened, and we are reviewing the remainder. We plan to reopen them both in light with the GAO studies and, in fact, as we rebuild system staffing. A comprehensive review of all of these has identified 57 potential candidates for decommissioning. The GAO report had a slightly different number.

We are taking a look at the staffing standards, at the normal standards we use for keeping a tower open, and those which appear to not meet the criteria we would obviously expect to followup on. This study has continued under way.

We do have four which will be new ones, Bethel, Alaska, Fort Myers, Fla., Hilma, La., and Mesa, Ariz., but basically, Mr. Chairman, we welcome the local community taking these on. Hobbs, N. Mex., and Enid, Okla. are typical examples of local communities that have taken it on.

Senator ANDREWS. That is right, you have a scheduled plan for reopening towers that were shut down due to the strike.

Mr. HELMS. Yes, sir.

ATC TOWER PROJECTS

Senator ANDREWS. I understand also there is $825 million in your budget request for airport traffic control tower projects. Does that include funds for reopening towers?

Mr. HELMS. No, sir.

Those projects would be F. & E. projects which would be control towers—brick and mortar, not the personnel.

EMPLOYEE MORALE

Senator ANDREWS. According to the Jones report, the air traffic controller strike was primarily due to deteriorating personnel relationships within FAA. Additionally, it points out that while the remaining employees have responded remarkably well to the post-strike challenge, the current morale of the employees at almost all levels is poor.

Is this also your assessment of the reason for the strike, and would you classify current morale as being poor?

Mr. HELMS. Well, prior to the strike, and in fact, during the negotiations, I had two or three meetings with the Secretary. In April of last year I noted for him that I did not recall in my business experience seeing an organization which has such poor labor-management relations as existed then. But the question is not necessarily solely a management-labor one because, at that time—remember, I came on the scene rather late—we viewed it within the scenario that there was a very active negotiation and a militant group that was trying to incite our employees to violate the law. So I think we have to put it within that context.

The Jones report, from my view, really documented and quantified problems which the Secretary and I had seen in our own informal reviews. I had reported to him and we had discussed it at some length, keeping in mind that the study group was pulled together at our request because we wanted to further confirm it.

I think, though, that it is even more important to note what were the actions that we had had underway before the Jones committee came out with their report. First, we had extensive briefings for field employees on the National Airspace System Plan. I literally made a 2-hour tape so that they would start to hear from management what this new National Airspace System Plan is. We had all of our en route air traffic center chiefs and the chiefs of major terminals brought into

Washington to participate in the planning for the strike recovery so they would know.

Fundamentally, my initial determination was that our biggest problem is lack of effective communication, both down and up. We brought selected center and terminal chiefs in to help us develop the new organization structures. We took a diagonal slice across the various management enterprises to come in and talk about our management practices. Myself and the deputy administrator have traveled extensively in the field. These were things that were all underway, and despite the fact that I feel those and other items will contribute to the turnabout, I did not want to place any constraints on the Jones committee. I wanted to let them go ahead and make a completely objective summary.

There is a long list of items which we have done, Mr. Chairman, far too long for me to go into detail now. I would be glad to submit it for the record because I think it would be of interest to you.

Senator ANDREWS. That is fine, and we would be interested to have it in the record.

[The information follows:]

JONES REPORT

The following additional actions were under way before the Jones report was received:

Monthly region and center directors' conferences.

Stepped up visits by field directors to facilities.

Quality circles and other organizational development efforts on a trial basis in several regions.

Formalized use of working level employees in checking out hardware being developed for field use.

Administrator and deputy administrator have held open "all employee" meetings in regions, centers, and field facilities.

Greatly expanded use of "all employee" letters and telegrams to all facilities.

National telecons with 300 or more facilities in communication with the administrator.

Establishment of facility advisory boards in all air traffic facilities.

Establishment of SUPCOM (supervisory committee), a working group of all levels of air traffic management being consulted on both technical and managerial matters.

Special task force on management practices—employee handbook nearing completion.

Implementation of new controller selection test which does a better job of identifying the best potential controllers.

Preliminary work on the airway science curriculum for both current employees and those to be recruited for the agency.

Air Traffic Control Revitalization Act.

Training in Management by Objectives being provided to all top management through the University of Michigan.

Actions taken *since* the Jones report was received:

Initial action was to distribute the report and solicit employee reactions and suggestions from all levels of the agency.

A region and center directors' conference on this subject is scheduled immediately after the close of appropriations hearings in the Senate next week.

Dr. Fuller, a member of the task force that conducted the study, is visiting each region and center to meet with supervisors concerning his observations and suggestions.

Management training which had been deferred because of funding shortages starting up again.

IMPROVING LABOR RELATIONS

Senator ANDREWS. But what steps have you taken since the strike to improve labor relations?

Mr. HELMS. Well, of course, during the strike, at that time period we had people on extensive overtime. We have worked that down now, and across the system 71 percent of our controllers are now on a 40 hour week. We have no employee that is assigned more than a 48 hour week.

Despite what may have been thought as a result of the television show 2 weeks ago in which two of our controllers noted that they only had two, 2-day weekends in the last 13 weeks, we decided to go back and examine those records. Simply, those controllers did not tell the truth. The one controller that said he had had two, 2-day weekends, in fact, only worked 4 days of overtime in 13 weeks. He asked for a 2-day normal weekend, which he had. He had family problems, so he took 2 days of sick leave which takes him up to 4. He still had family problems. He asked for 3 more days leave, which took him up to 7. He then asked for his additional 2 days at the end which took him up to 9. He had 9 days in a row off.

So we have reduced the work week and did so on purpose during the fall, and I announced publicly in October of last year that we would squeeze down slightly the scheduled air carriers and all flying so that we could put additional people out on vacation; give them some time off.

We have been reducing the workweek. We have had a major program underway to involve the employees themselves in some of the decisions. For example, we now have a Facility Advisory Board at each of the facilities, made up of the employees, that sit down to start to tell us what they think about it.

This is going to take time. None of this is going to come about in a hurry. But at the same time, I am advised, and I noted from a number of my people, this morning's Washington Post had surveyed other Government agencies and found precisely the same thing, low morale, problems, and concern about jobs. I raised this question at the time of the Jones report and said I hope that those of us viewing it will keep it in the perspective that, had we done this same survey 3 years ago when the coal miners strike was on, I think we would have found low morale and a lot of dissatisfaction with management. I sense that from the survey in this morning's paper, that the same thing is prevalent in other areas.

Senator ANDREWS. But the point is, Mr. Helms, that you are working on concrete methods to improve the morale and get more efficiency and better feeling among the employees.

Mr. HELMS. Absolutely, Mr. Chairman, I am firmly dedicated to it, firmly dedicated to it.

SUBMITTED QUESTIONS

Senator ANDREWS. Mr. Helms, I appreciate your candor this morning at this hearing. I have some more questions I will submit for the record, as do Senator D'Amato and Senator Chiles.

It has been good having you up here again.

Mr. HELMS. Very well, sir. We welcome the opportunity to respond, Mr. Chairman.

[The following questions were not asked at the hearing but were submitted for response for the record:]

Questions Submitted by Senator Mark Andrews

Senator Andrews: Please provide for the record a detailed listing of all tower and flight service station closings and reductions since August 3, 1981. Be specific with regard to each location, the duration and reason for the action, hours of operation, personnel impact, and the estimated date that each facility will resume full-time operation. Please organize your list by state.

(The information follows)

AIRPORT TRAFFIC CONTROL TOWERS

Temporary measures, such as reduced operating hours of several facilities and the closure of certain low activity control towers, were initiated so that a safe and efficient level of air traffic service could be maintained throughout the country. These actions were necessitated by insufficient personnel for the continued operation of a facility and/or the need to realign the work force for optimum efficiency and effectiveness as a result of the controller action last August. As we progress in rebuilding the air traffic control system and staffing becomes available, facilities will be reopened wherever possible. Additional tower personnel will be provided this year through our recruitment and training effort, and we will concentrate initially on staffing critical or higher activity radar facilities and major control towers. This strategy is necessary to ensure that system capacity grows as planned and that the Nation's essential air commerce is maintained.

As of April 30, 232 ATCT's were operating at reduced hours and 61 ATCT's were closed temporarily (This does not include the Otis ATCT, which is currently being operated by the military). Additionally, 18 ATCT's had been closed temporarily and have since reopened at reduced operating hours. Also, 26 ATCT's were operating at reduced hours and have since returned to published hours. The following is a list by state of ATCT's which are/were closed temporarily or operating at reduced hours temporarily as of April 30.

Legend:

V = VFR Control Tower

R = Radar Approach Control Facility

NR = Nonradar Approach Control Facility

State: Alaska

Location Ident	Location Name	Control Type	Normal Hours	Current Hours
MRI	Anchorage (Merrill)	V	0600-2300	0600-2300
JNU	Juneau	V	0700-2230	1000-2000
ADQ	Kodiak	V	0600-2200	0800-2000 Mon-Fri 0800-1800 Sat & Sun
VDZ	Valdez	V	0800-1600	0800-1600 Mon-Fri Closed Sat & Sun

State: Alabama

HSV	Huntsville	R	Hours were reduced and since returned to normal (0600-2300)	
MOB	Mobile	R	24	0600-2400
MGM	Montgomery	R	24	0600-2300
TCL	Tuscaloosa	V	0600-2100	Closed (9-1-81)

Location Ident	Location Name	Control Type	Normal Hours	Current Hours
State: Arkansas				
FYV	Fayetteville	NR	Hours were reduced and since returned to normal (0600-2300)	
FSM	Fort Smith	R	0000-2400	0000-2200
HOT	Hot Springs	V	0000-2300	Closed (8-16-81)
PBF	Pine Bluff	V	0000-2200	Closed (9-8-81)
TXK	Texarkana	V	0800-2300	0000-2000
AWM	West Memphis	V	0000-2100	Closed (8-16-81)
State: Arizona				
GYR	Goodyear (Phoenix/ Litchfield)	V	0600-2200	0700-1700
FLG	Flagstaff	V	0700-1900	Closed (9-5-81)
DVT	Phoenix (Deer Valley)	V	0600-2100	0600-1900
SDL	Scottsdale	V	0800-2300	0600-2100
TUS	Tucson	R	24	0000-2400
State: California				
BFL	Bakersfield	R	0000-2300	0630-2300
CRQ	Carlsbad (Palomar)	V	0700-2300	0700-1800
CIC	Chico	V	0700-2100	Closed (9-20-81)
CNO	Chino	V	0700-2100	0800-1800
CCR	Concord	V	0700-2300	0700-2000
EDW	Edwards (Edwards AFB)	R	0000-2400	0000-2400
EMT	El Monte	V	0700-2300	0800-1000 (Was closed and since reopened)
FAT	Fresno (Air Terminal)	R	24	0000-2400
FCH	Fresno (Chandler)	V	0800-2000	Closed (9-5-81)
FUL	Fullerton	V	0700-2200	0800-1800
HHR	Hawthorne	V	0700-2300	0700-1700
HWD	Hayward	V	0700-2300	1000-2000
IPL	Imperial	V	0700-1800	Closed (8-7-81)
POC	La Verne (Brackett)	V	0700-2200	0800-1800
TVL	Lake Tahoe	V	0700-2200	0800-2000
WJF	Lancaster (William J. Fox)	V	0700-2100	Closed (9-5-81)
LVK	Livermore	V	0700-2300	1000-2000
MYV	Marysville	V	0700-2300	Closed (8-8-81)
MCE	Merced	V	0800-2000	Closed (8-15-81)
MOD	Modesto	V	0600-2000	0600-1800
MRY	Monterey	R	24	0600-2300
APC	Napa	V	0700-2200	0800-1800
OAK	Oakland	R	South 24 North 0700-2300	24 0800-2000 (Was closed and since reopened)
CNR	Oxnard	V	0700-2100	1000-1800 (Was closed and since reopened)
PMD	Palmdale	V	0000-2200	0700-1700 Mon-Fri Closed Sat & Sun
PAO	Palo Alto	V	0700-2300	1000-2000 (Was closed and since reopened)
RAL	Riverside (Municipal)	V	0700-2200	0800-1000 (Was closed and since reopened)
SAC	Sacramento (Executive)	V	0600-2200	0800-1800
SMF	Sacramento (Metro.)	V	24	0600-2200
SNS	Salinas	V	0600-2200	0800-1600 (Was closed and since reopened)
SQL	San Carlos	V	0700-2300	0800-1900 (Was closed and since reopened)
SEM	San Diego (Brown)	V	0700-2200	0800-1600 (Was closed and since reopened)
SKE	San Diego (Gillespie)	V	0700-2200	0800-1900
SAN	San Diego (Lindbergh)	R	Hours were reduced and since returned to normal (24 hours)	
MYF	San Diego (Montgomery)	V	0700-2300	0700-1700
SJC	San Jose (Municipal)	V	24	0630-2400

Location Ident	Location Name	Control Type	Normal Hours	Current Hours
RHV	San Jose (Reid-Hillview)	V	0800-2200	1000-1900 (Was closed and since reopened)
NZJ	Santa Ana (Coast TRACON)	R	Hours were reduced and since returned to normal (24 hours)	
SBA	Santa Barbara	R	0630-2230	0630-1930
SMX	Santa Maria	V	0630-2000	0800-1600 (Was closed and since reopened)
SMO	Santa Monica	V	0700-2300	0800-1800
STS	Santa Rosa (Sonoma Cty)	V	0600-2300	0800-2000
SCK	Stockton	NR	0600-2300	0600-1800
TOA	Torrance	V	0630-2130	0800-2000
VNY	Van Nuys	V	24	0615-2245
APA	Arapahoe	V	Hours were reduced and since returned to normal (0000-2300)	
PUB	Pueblo	R	0600-2300	0700-2200
State: Connecticut				
DXR	Danbury	V	0700-2300	Closed (8-7-81)
GON	Groton	V	0700-2300	Closed (8-7-81)
HFD	Hartford (Brainard)	V	24	0700-2100
HVN	New Haven	V	0600-2400	0600-2200
State: Delaware				
ILG	Wilmington	V	24	0700-2300
State: Florida				
FMY	Fort Myers	R	0600-2400	0630-2230
FXE	Ft. Lauderdale (Exec.)	V	0700-2300	0800-2000
GNV	Gainesville	V	0700-0100	0645-2230
HWO	Hollywood (No. Perry)	V	0600-2200	0800-1800
CRG	Jacksonville (Craig)	V	0700-2200	0800-2000
TNT	Miami (Dade-Collier)	NR	0700-1800 Mon-Fri Closed (8-3-81) 0700-1230 Sat & Sun	
OPF	Miami (Opa Locka)	V	Hours were reduced and since returned to normal (0700-2300)	
TMB	Miami (Tamiami)	V	0700-2300	0800-1900
PNS	Pensacola (Regional)	R	24	0600-2400
PMP	Pompano Beach	V	0700-2200	0800-1800
PIE	St. Petersburg (Clearwater)	V	0700-2300	0700-2200
SPG	St. Petersburg (Whitted)	V	0700-2200	Closed (9-26-81)
TLH	Tallahassee	R	Hours were reduced and since returned to normal (0700-2300)	
VRB	Vero Beach	V	0700-2200	0800-2000
State: Georgia				
ABY	Albany	NR	0700-2300	0700-2300 Mon-Fri 0900-2000 Sat & Sun
AHN	Athens	V	0700-2200	Closed (9-1-81)
PDK	Atlanta (Peachtree)	V	0700-2400	0700-2300
AGS	Augusta	R	Hours were reduced and since returned tonormal (0700-2300)	
SSI	Brunswick	V	1100-1900	Closed (8-12-81)
CSG	Columbus	R	Hours were reduced and since returned to normal (0700-2300)	
MCN	Macon (Robins/Wilson)	V/R	RAPCON 24 ATCT 0700-2300	0700-2300 0700-2200
SAV	Savannah	R	24	0600-2400
VLD	Valdosta	V	0700-2100	Closed (9-1-81)
State: Hawaii				
ITO	Hilo	R	24	0600-2200
KOA	Kona	V	0800-2200	0800-2000
LIH	Lihue	V	0800-2200	0700-1800
MKK	Molokai	V	0000-1900	0800-1800 (Was closed and since reopened)

Location Ident	Location Name	Control Type	Normal Hours	Current Hours
State: Iowa				
CID	Cedar Rapids	R	0600-2400	0600-2300
SUX	Sioux City	R	0600-2300	0800-2000
ALO	Waterloo	R	0600-2300	0645-2245
State: Idaho				
BOI	Boise	R	24	0600-2400
IDA	Idaho Falls	V	0630-2200	0630-1630
LWS	Lewiston	V	0600-2200	0800-1800
PIH	Pocatello	V	0600-2200	0630-1830
TWF	Twin Falls	V	0600-2300	0800-1800 (Was closed and since reopened)
State: Illinois				
ALN	Alton	V	0750-2300	0900-1900 Mon-Fri 0900-1700 Sat & Sun
ARR	Aurora	V	0700-2100	0900-1700
BMI	Bloomington	V	0600-2100	0700-1900
MDH	Carbondale	V	0700-2100	0700-1900
CMI	Champaign	R	24	0600-2230
DPA	Chicago (Du Page)	V	0600-2400	0700-1800
CDX	Chicago (Meigs)	V	0600-2400	0600-2300 Mon-Fri 0900-1700 Sat & Sun
MDW	Chicago (Midway)	R	24	0600-2400
PWK	Chicago (Palwaukee)	V	0600-2400	0600-2100 Mon-Fri 0700-2100 Sat & Sun
DNV	Danville	V	0600-2300	Closed (9-1-81)
DEC	Decatur	NR	0600-2400	0600-2200
CPS	East St. Louis	V	0700-2100	0900-1900
GBG	Galesburg	V	0700-2200	Closed (9-13-81)
MWA	Marion	NR	0600-2200	Closed (9-11-81)
MLI	Moline	R	24	0600-2300
PIA	Peoria	R	24	0600-2300
RFD	Rockford	R	24	0600-2300
SPI	Springfield	R	24	0600-2200
State: Indiana				
BMG	Bloomington	V	0700-2100	Closed (9-20-81)
EVV	Evansville	R	24	0600-2300
FWA	Fort Wayne	R	24	0600-2400
MIE	Muncie	NR	0700-2300	Closed (9-20-81)
SBN	South Bend	R	24	0600-2400
HUF	Terre Haute	NR	24	0600-2200
LAF	W. Lafayette	NR	0700-2300	0700-1900
State: Kansas				
MCI & OJC	Kansas City (Fairfax) Olathe (Johnson Co.)	V V	0600-2400 0700-2300	0700-2200 0800-1800 Mon-Fri 0900-1700 Sat & Sun
SLN	Salina	NR	0700-2300	Closed (9-5-81)
TOP	Topeka (Billard)	V	0700-2300	Closed (8-29-81)
State: Kentucky				
LEX	Lexington	R	24	0630-2400
LOU	Louisville (Bowman)	V	0700-2300	0700-2100
SDF	Louisville (Standiford)	R	Hours were reduced and since returned to normal (24 hours)	
OWB	Owensboro	V	0600-2200	Closed (9-15-81) (City assumed the operation of tower)
PAH	Paducah	NR	0600-2130	Closed (9-15-81)

Location Ident	Location Name	Control Type	Normal Hours	Current Hours
ESF	Alexandria	V	0800-2100	Closed (8-17-81)
BTR	Baton Rouge	R	24	0600-2300
LFT	Lafayette	R	24	0600-2200
LCH	Lake Charles	R	Hours were reduced and since returned to normal (0600-2300)	
MLU	Monroe	R	Hours were reduced and since returned to normal (0600-2300)	
NEW	New Orleans (Lakefront)	V	24	0600-2300
SHV	Shreveport (Barksdale/Reg)	R	24	ATCT 24 RAPCON 0600-2300
DTN	Shreveport (Downtown)	V	0600-2300	Closed (8-16-81)
State: Massachusetts				
BED	Bedford	V	Hours were reduced and since returned to normal (0700-2300)	
BVY	Beverly	V	0700-2300	Closed (8-7-81)
FMH	Falmouth (Otis AFB)	R	24	RAPCON 0600-2200 ATCT-Military assumed operation
HYA	Hyannis	V	0600-2300	0600-2200
LWM	Lawrence	V	0800-1800	Closed (8-7-81)
MVY	Martha's Vineyard	V	Operates summer months only	Closed (8-7-81) (Plan to reopen from 6/16-9/7, 0700-2300)
ACK	Nantucket	V	0600-2300	0600-2100
EWB	New Bedford	V	0700-2300	Closed (8-7-81)
OWD	Norwood	V	Hours were reduced and since returned to normal (0700-2300)	
ORH	Worcester	NR	0700-2300	Closed (8-7-81)
State: Maryland				
HGR	Hagerstown	V	0630-2230	0800-1600
State: Michigan				
ARB	Ann Arbor	V	0700-2300	Closed (10-4-81)
BTL	Battle Creek	V	0600-2230	0700-2100
BEH	Benton Harbor	V	0700-2100	Closed (9-1-81)
DET	Detroit (City)	V	24	0700-2200
FNT	Flint	R	24	0700-2300
GRR	Grand Rapids	R	24	0600-2400
JXN	Jackson	NR	0700-2300	0700-2000
AZO	Kalamazoo	R	24	0630-2130
LAN	Lansing	R	24	0700-2300
MKG	Muskegon	R	24	0700-2300
PTK	Pontiac	V	0600-2400	0600-2200
MBS	Saginaw	R	24	0700-2300
TVC	Traverse City	V	0700-2300	0800-2000
State: Minnesota				
DLH	Duluth	R	24	0600-2200 Tues-Fri 0600-2000 Sat-Mon
MIC	Minneapolis (Crystal)	V	0700-2200	0800-2000
FCM	Minneapolis (Flying Cloud)	V	0700-2300	0700-2200
RST	Rochester	R	24	0700-2300
STP	Saint Paul	V	0700-2300	1000-1800
State: Missouri				
CGI	Cape Girardeau	V	0700-2100	Closed (8-29-81)
SUS	Chesterfield (Spirit)	V	0600-2200	0600-2200 Mon-Fri 0800-2000 Sat & Sun
JLN	Joplin	NR	0600-2200	Closed (8-29-81)
MKC	Kansas City (Municipal)	R	24	0600-2300
STJ	St. Joseph	NR	0700-2300	0800-1800 Tues-Sat Closed Sun & Mon

Location Ident	Location Name	Control Type	Normal Hours	Current Hours
State: Mississippi				
GLH	Greenville	V	0600-2300	Closed (9-15-81)
HKS	Jackson (Hawkins)	V	0800-2400	Closed (9-8-81)
JAN	Jackson (Thompson)	R	24	0600-2300
State: Montana				
BIL	Billings	R	24	0600-2300
GTF	Great Falls	R	24	0700-2300
HLN	Helena	NR	24	0700-2000
MSO	Missoula	NR	0700-2300	0700-2100
State: North Carolina				
AVL	Asheville	R	24	0700-2300
FAY	Fayetteville	R	24	0600-2400
HKY	Hickory	V	0700-2300	Closed (9-1-81)
ISO	Kinston	V	0600-2130	0900-1700 (Was closed and since reopened)
EWN	New Bern	V	0600-2100	Closed (8-12-81)
ILM	Wilmington	R	24	0600-2400
State: North Dakota				
BIS	Bismarck	NR	Hours were reduced and since returned to normal (0600-2400)	
FAR	Fargo	R	24	0600-2300
GFK	Grand Forks	V	0600-2300	0700-2100
MOT	Minot	V	0700-2300	0800-2000 Mon-Sat Closed Sun
State: Nebraska				
GRI	Grand Island	V	0800-2400	Closed (8-28-81)
LNK	Lincoln	R	24	0700-2300
OMA	Omaha (Eppley)	V	24	0630-2300
State: New Hampshire				
LEB	Lebanon	V	0700-2300	Closed (8-28-81)
State: New Jersey				
ACY	Atlantic City	R	Hours were reduced and since returned to normal (24 hours)	
CDW	Caldwell	V	0800-2400	1000-2000
MMU	Morristown	V	0730-2330	0800-1600 (Was closed and since reopened)
TTN	Tetertboro	V	24	0700-0200 Mon-Fri 0700-2400 Sat & Sun
	Trenton	V	24	0600-2400
State: New Mexico				
FMN	Farmington	V	0600-2300	Closed (10-2-81) (City assumed operation of tower)
HOB	Hobbs	V	0700-2300	Closed (9-8-81) (City assumed operation of tower)
ROW	Roswell	NR	0700-2300	0800-1800 Mon-Sat 0800-1600 Sun
SAF	Santa Fe	V	0700-2300	Closed (9-8-81)
State: Nevada				
VGT	Las Vegas (North)	V	0600-2300	0900-2100 (Was closed and since reopened)
State: New York				
ALB	Albany	R	24	0600-2300
BGM	Binghamton	R	24	0600-2200
BUF	Buffalo	R	24	0700-2400
ELM	Elmira	R	24	0700-2200

Location Ident	Location Name	Control Type	Normal Hours	Current Hours
ISP	Islip	R	24	0700-2300
ITH	Ithaca	V	0800-2300	0700-1700
LGA	New York (La Guardia)	R	24	0700-2400
IAG	Niagara Falls	V	24	0700-2400
POU	Poughkeepsie	V	0700-2300	0900-1900
ROC	Rochester	R	24	0600-2400
RME	Rome (Griffiss AFB)	R	24	24 Mon-Fri 0700-2400 Sat & Sun
SYR	Syracuse	R	24	0600-2400
UCA	Utica	V	24	0700-1700
HPN	White Plains	R	24	0700-2300
State: Ohio				
CAK	Akron Canton	R	24	0600-2400
AKR	Akron (Municipal)	V	0600-2200	Closed (9-1-81)
CGF	Cleveland (Cuyahoga)	V	0600-2200	Closed (10-11-81)
BKL	Cleveland (Lakefront)	V	0700-2300	0700-1800
MFD	Mansfield	NR	24	0600-2300
TOL	Toledo	R	24	0600-2400
YNG	Youngstown	R	24	0600-2400
State: Oklahoma				
ADM	Ardmore	V	0600-2200	Closed (8-18-81)
PWA	Bethany (Wiley Post)	V	Hours were reduced and since returned to normal (0600-2200)	
CSM	Burns Flat (Clint/Sherm)	NR	0800-2100 Mon-Fri except holidays	0800-2000 Mon-Fri except holidays
WDG	Enid	V	0700-2300	Closed (8-25-81) (City assumed operation of tower)
RVS	Tulsa (Riverside)	V	0700-2300	0700-2100 Mon-Sat 1000-1800 Sun
State: Oregon				
EUG	Eugene	R	0600-2400	0600-2200
HIO	Hillsboro	V	0700-2300	0800-2200
MFR	Medford	NR	24	0600-23000
PDT	Pendleton	V	0800-2200	Closed (8-23-81)
SLE	Salem	V	0700-2300	0800-1800
TTD	Troutdale	V	0700-2300	0900-1700
State: Pennsylvania				
ABE	Allentown	R	24	0630-2300
ERI	Erie	R	24	0700-2300
CXY	Harrisburg (Capital City)	R	24	0600-2400
MDT	Harrisburg (Middletown)	V	24	0600-2400
LNS	Lancaster	V	Hours were reduced and since returned to normal (0630-2300)	
PNE	Philadelphia (North)	V	24	0700-2300
AGC	Pittsburgh (Allegheny)	V	24	0800-1800
RDG	Reading	R	24	0600-2300
AVP	Wilkes Barre	R	24	0630-2300
IPT	Williamsport	V	Hours were reduced and since returned to normal (0630-2330)	

Location Ident	Location Name	Control Type	Normal Hours	Current Hours
State: Pacific (American Samoa)				
TUT	Pago Pago	NR	24	0600-2300
State: Puerto Rico				
MAZ	Mayaguez	V	0800-1600	Closed (8-9-81)
PSE	Ponce	V	1000-1800	Closed (8-9-81)
SIG	San Juan (Isla Grande)	V	0700-2100	1000-1800 Mon-Sat Closed Sun
State: Rhode Island				
OQU	Quonset Point	R	24	0600-2400
State: South Dakota				
RAP	Rapid City	V	0600-2300	0700-2100 Mon-Sat Closed Sun
FSD	Sioux Falls	R	24	0700-2100
State: South Carolina				
FLO	Florence	NR	0730-2300	0730-1700
GMU	Greenville	V	0800-2400	0900-2000
GSP	Greer	R	24	0600-2400
CRE	N. Myrtle Beach	V	0700-2000	Closed (8-12-81)
SPA	Spartanburg	V	0600-2300	Closed (9-8-81)
State: Tennessee				
TRI	Bristol (Tri City)	R	24	0630-2300
CHA	Chattanooga	R	24	0600-2300
DKX	Knoxville (Downtown)	V	0730-2300	0800-2000 (Was closed and since reopened temporarily for 1982 World's Fair)
BNA	Nashville	R	Hours were reduced and since returned to normal (24 hours)	
State: Texas				
ABI	Abilene (Dyess/Muni)	R	RAPCON 24 ATCT 0600-2300	0700-2300 0900-1900
AMA	Amarillo	R	24	0630-2230
BPT	Beaumont	R	0700-2300	0600-2000
BRO	Brownsville	NR	0700-0100	0800-2100
CLL	College Station	NR	0700-2300	0800-2000
CRP	Corpus Christi	R	24	0600-2400
ADS	Dallas (Addison)	V	Hours were reduced and since returned to normal (0700-2200)	
RBD	Dallas (Redbird)	V	0700-2300	0700-2100
ELP	El Paso	R	24	0600-2400
HRL	Harlingen	V	0700-2300	1030-1930 (Was closed and since reopened)
DWH	Houston (David W. Hooks)	V	Hours were reduced and since returned to normal (0600-2200)	
HOU	Houston (Hobby)	R	24	0600-2400
LRD	Laredo	V	0800-1900	Closed (8-6-81)
GGG	Longview	R	Hours were reduced and since returned to normal (0600-2200)	
MFE	McAllen	V	0600-2200	Closed (8-6-81)
MAF	Midland	R	24	0630-2400
PVW	Plainview	V	0700-2100	Closed (8-21-81)
SJT	San Angelo	NR	Hours were reduced and since returned to normal (0600-2300)	
SSF	San Antonio (Stinson)	V	0600-2200	Closed (9-5-81)
TYR	Tyler	NR	0600-2200	0600-2100
ACT	Waco	R	Hours were reduced and since returned to normal (0600-2200)	

Location Ident	Location Name	Control Type	Normal Hours	Current Hours
State: Utah				
OGD	Ogden	V	0600-2200	0800-2000
State: Virginia				
CHO	Charlottesville	V	24	0700-2300
LYH	Lynchburg	V	0700-2300	0700-2100
PHF	Newport News	V	0700-2400	0700-2330
ORF	Norfolk	R	24	TRACON 24 ATCT 0630-2200
ROA	Roanoke	R	24	0700-2300
State: Virgin Islands				
STX	St. Croix	V	0700-2100	0700-2000
STT	St. Thomas	R	0700-2100	0700-1900
State: Washington				
PAE	Everett	V	0700-2300	0800-1800
OLM	Olympia	V	0800-2000	0900-1700 Tues-Sat Closed Sun & Mon (Was closed and since reopened)
PSC	Pasco	V	0600-2300	0600-2330
RNT	Renton	V	0800-2300	0800-1800
BFI	Seattle (Boeing)	V	24	0600-2400
SFF	Spokane (Felts)	V	0600-2200	0800-1800
TIW	Tacoma (Industrial)	V	0800-2000	0900-1700
ALW	Walla Walla	V	0600-2330	0800-1800
State: Wisconsin				
ATW	Appleton	V	0700-2300	0700-1900 Mon-Sat Closed Sun
GRB	Green Bay	R	24	0600-2400
JVL	Janesville	V	0000-2300	0700-1900
LSE	La Crosse	NR	0600-2200	0700-2100 Mon-Sat Closed Sun
MSN	Madison	R	24	0600-2300
State: West Virginia				
HTS	Huntington	R	24	0700-2300
LWB	Lewisburg	V	0900-1900	Closed (9-1-81)
MGW	Morgantown	V	Hours were reduced and since returned to normal (0700-2300)	
HLG	Wheeling	V	24	0700-2200 Mon-Fri 1000-2000 Sat & Sun
State: Wyoming				
CPR	Casper	R	0600-2200	0700-1700 Mon-Sat 0700-1600 Sun
CYS	Cheyenne	NR	0600-2200	0800-1800

(The information follows)

FLIGHT SERVICE STATIONS

Cotulla, Texas, FSS is the only FSS closed temporarily. Additionally, we have reduced temporarily the hours of operation at 57 other FSS's. These emergency actions were required due to personnel shortages, sick leave, contractually required vacation leave, resignations, retirements, personnel transfers, and promotions over which we have limited control. The following is a list by state of the FSS's which are operating at reduced hours temporarily as of June 1.

FSS EMERGENCY PART-TIMING

REGION	FSS	LEVEL	STAFFING		P/T DATES		HOURS		
STATES			AUTH.	REDUCED	FROM	TO	PUBL.	REDUCED	
Alaska	Bettles FSS	I	5	3	3/1/82	8/1/82	24	16	Transfer one specialist Chief on extended sick leave
	Cold Bay FSS	I	5	3	3/1/82	8/1/82	24	16	Transfer of one specialist to tower option, one specialist resigned.
	Deadhorse	I			12/23/81	12/26/81	8		
	Iliamna FSS	I	2	1	2/1/82	6/14/82	16	8	Transfer of one specialist
	Talkeetna FSS	I	2	1	3/1/82	8/1/82	8	Closed Mon-Tue	Transfer of one specialist to tower option 4/21/82
Arkansas	El Dorado FSS	I	4	4	12/1/81	8/3/82	24	12	
	Fayetteville FSS	II	6	5	2/19/82	8/3/82	24	16	Rtn by July 1, 1982
	Harrison FSS	I	3	4	12/1/81	8/3/82	24	12	
Arizona	Doughas FSS	I	5	2	12/18/81	7/2/82	24	15	
	Yuma FSS	I	4	3	12/18/81	7/2/82	24	15	
Calif.	Blythe FSS	II	5	3	9/20/81	7/2/82	16	10	
	Crescent City FSS	I	3	2	7/15/81	7/2/82	16	10	
	Daggett FSS	I	5	5	9/20/81	7/2/82	24	16	
	Imperial FSS	I	9	4	9/20/81	7/2/82	24	16	
	Marysville FSS	II	5	5	12/18/82	7/2/82	24	16	

FSS EMERGENCY PART-TIMING

REGION	FSS	LEVEL	STAFFING		P/T DATES		HOURS		
STATES			AUTH.	REDUCED	FROM	TO	PUBL.	REDUCED	
(cont.) Calif.	Needles FSS	I	2	1	5/13/81	1/20/82	8		
	Thermal FSS	II	8	7	12/18/81	7/2/82	24	16	
	Ukiah FSS	II	8	6	9/20/81	7/2/82	24	16	
Colorado	Akron FSS	I'	6	3	9/12/81	8/12/82	24	16	No available specialist to back-fill vacancy.
	La Junta FSS	I	6	4	9/12/81	8/12/82	24	16	3 FPL's/2 developmentals/ 1 specialist on extended sick leave.
Florida	Key West FSS	II	9	7	9/28/82	9/30/82	24	16	
Idaho	Burley FSS	II	9	7	3/10/83	7/10/82	24	16	
	Burlington FSS	II	6	6	2/14/82	6/14/82	24	16	4 FPL's and 1 developmental/1 chief
Iowa	Ottumwa	I	7	5	6/13/82	9/13/82	24	16	
Kansas	Dodge City FSS	II	6	5	5/1/82	9/30/82	24	12	3 FPL's/1 chief/1 developmental
	Hill City FSS	I	4	2	3/29/82	9/30/82	13	11	1 FPL/1 chief
Michigan	Houghton FSS	I	6	4	4/6/82	8/6/82	24	16	4 FPL's - (1 in hospital) - 1 chief
Missouri	Vichy	I	9	6	5/30/82	8/30/82	24	16	
Montana	Cut Bank FSS	I	6	3	3/1/82	8/1/82	24	16	
	Lewiston FSS	I	6	6	1/10/82	5/1/82	24	16	Returned to published hours 5/1/82.
Nebraska	Chadron FSS	I	4	4	5/29/82	9/30/82	24	16	3 FPL's/1 chief/2 specialists will transfer to another facility in May/ June 2 FPL's/1 chief
	Sidney FSS	I	4	3	5/29/82	9/30/82	24	10	

FSS EMERGENCY PART-TIMING

REGION	FSS	LEVEL	STAFFING		P/T DATES		HOURS		
STATES			AUTH.	REDUCED	FROM	TO	PUBL.	REDUCED	
Nevada	Ely FSS	I	3	2	12/18/81	7/2/82	24	16	
	Lovelock FSS	I	4	3	9/20/81	7/2/82	24	15	
	Tonopah FSS	II	7	4	12/18/81	7/2/82	24	16	
New Hamp.	Lebanon FSS	II.	6	5	9/25/81	1/24/82	24	17	
New Mex.	Carlsbad FSS	I	3	2	11/2/81	8/3/82	24	8	
	Deming FSS	I	3	3	11/27/81	8/3/82	24	8	
	Gallup FSS	II	6	5	4/4/82	8/3/82	24	16	
	Truth or Conseq. FSS	I	1	1	11/21/81	8/3/82	12	8	
N. Dak.	Dickinson FSS	I	6	6	3/21/82	9/30/82	24	16	1 chief/4 FPL's/1 developmental
	Jamestown FSS	I	6	5	3/22/82	9/30/82	24	16	1 chief/4 FPL's
Okla.	Gage FSS	I	4	4	7/18/81	8/3/82	24	16	
	Hobart FSS	I	3	4	12/1/81	8/3/82	24	12	
	Ponca City FSS	I	5	4		8/3/82	24	16	
S. Dak.	Watertown FSS	I	6	5	7/3/82	9/30/82	24	16	
Texas	Childress FSS	I	3	3	1/10/82	8/3/82	24	12	

FSS EMERGENCY PART-TIMING

REGION	FSS	LEVEL	STAFFING		P/T DATES		HOURS		
STATES			AUTH.	REDUCED	FROM	TO	PUBL.	REDUCED	
Texas	College Station FSS	II	6	5	2/11/82	8/3/82	24	12	
	Cotulla FSS	I	3	1	11/11/81	10/1/82	16	Closed	
	Dalhart FSS	I	3	3	12/1/81	8/3/82	24	12	
	Mineral Wells FSS	I	1	1	10/16/81	8/3/82	16	8	
	Palacios FSS	I	3	3	12/1/81	8/3/82	24	12	
	Wink FSS	I	3	3	12/1/81	8/3/82	24	12	
Wash.	Ephrata FSS	I	4	2	12/24/81	5/1/82	16	8	Returned to published hours 4/1/82
	Hoquiam FSS	I	6	5	3/23/81	5/1/82	24	16	3 FPL's/1 supervisor/1 developmental
	Toldeo	I	2	1	6/20/81	12/31/81	8		
Wisconsin	La Crosse FSS	II	6	3	3/1/82	4/28/82	24	16	Returned to published hours 4/28/82
Wyoming	Laramie FSS	I	6	5	3/23/82	8/1/82	24	16	3 FPL's/1 developmental/1 chief
	Rawlins FSS *	I	4	3	2/1/82	4/1/82	24	16	Returned to published hours 4/1/82
	Rock Springs	II	10	7	3/1/82	7/1/82	24	17	
	Worland FSS	I	6	6	10/9/81	5/1/82	24	16	(Returned to published hours May 1) 1 chief/3 FPL's/ 3 developmentals

Senator Andrews: Which centers and terminals have increased or decreased their controlled airspace boundaries since 1980? How much airspace is involved? Are other changes planned?

Mr. Van Vuren: The following air route traffic control center (ARTCC) airspace boundaries have been adjusted approximately 15 to 25 miles to facilitate coordination, improve service to the users, and reduce computer usage.

1980 ———— Oakland and Salt Lake City ARTCC's
Minneapolis and Winnipeg ARTCC's
Seattle and Salt Lake City ARTCC's
Oakland, Salt Lake City, and Los Angeles ARTCC's
Atlanta and Jacksonville ARTCC's

1981 ———— Jacksonville and Miami ARTCC's
Denver and Albuquerque ARTCC's
Houston and Fort Worth ARTCC's
Fort Worth and Memphis ARTCC's
Atlanta, Houston, and Memphis ARTCC's
New York and Washington ARTCC's
Memphis and Fort Worth ARTCC's

The following ARTCC airspace boundaries have been temporarily adjusted:

Washington and New York ARTCC's - Washington ARTCC expanded approximately 50 miles northwest into New York ARTCC's airspace.

Atlanta and Indianapolis ARTCC's - Atlanta ARTCC expanded to the north approximately 35 miles into Indianapolis ARTCC's airspace. Proposed to be a permanent change.

Cleveland and Chicago ARTCC's - Cleveland ARTCC expanded west approximately 100 miles into the Chicago ARTCC's airspace. Airspace to be returned to Chicago ARTCC when their staffing is increased.

Chicago and Minneapolis ARTCC's - Minneapolis expanded approximately 50 miles south and assumed the northern portion of the Chicago ARTCC's airspace. This airspace is to be returned to Chicago ARTCC when their staffing is increased.

Kansas City and Indianapolis ARTCC's - Kansas City ARTCC expanded east approximately 40 miles into the Indianapolis ARTCC control area.

Memphis and Indianapolis ARTCC's - Memphis expanded northeast 20 miles into the Indianapolis ARTCC's airspace.

PROPOSED PERMANENT CHANGES

Jacksonville and Miami ARTCC's - Jacksonville ARTCC to expand south approximately 25 to 95 miles into Miami ARTCC's airspace.

Atlanta and Jacksonville ARTCC's - Atlanta to expand south, southeast and east approximately 70 miles into the Jacksonville ARTCC's airspace.

Atlanta and Memphis ARTCC's - Atlanta ARTCC to expand approximately 40 miles northwest into the Memphis ARTCC's airspace.

Atlanta and Indianapolis ARTCC's - Atlanta ARTCC to expand 40 miles north into the Indianapolis ARTCC's airspace.

Washington and New York ARTCC's - Washington ARTCC to expand approximately 70 miles northeast into the New York ARTCC's airspace.

Boston and New York ARTCC's - Boston ARTCC to expand approximately 70 miles south and southeast into the New York ARTCC's airspace.

Chicago and Indianapolis ARTCC's - Chicago ARTCC to expand approximately 40 miles southeast into the Indianapolis ARTCC's airspace.

Memphis, Fort Worth, and Kansas City ARTCC's - Kansas City ARTCC to expand approximately 25 miles south into the Fort Worth ARTCC's airspace. Memphis ARTCC to expand approximately 20 miles west to abut the eastern boundary of Tulsa approach control's airspace.

Denver and Kansas City ARTCC's - Denver ARTCC to expand approximately 30 miles southeast into the Kansas City ARTCC's airspace.

Albuquerque and Kansas City ARTCC's - Albuquerque ARTCC to expand approximately 70 miles northeast into the Kansas City ARTCC's airspace.

Albuquerque and Fort Worth ARTCC's - Albuquerque ARTCC to expand approximately 25 miles southeast into Fort Worth ARTCC's airspace.

Houston and Fort Worth ARTCC's - Houston ARTCC to expand approximately 20 miles northwest into Fort Worth ARTCC's airspace.

Albuquerque and Denver ARTCC's - Albuquerque ARTCC to expand approximately 20 miles north into Denver ARTCC's airspace.

Salt Lake City and Los Angeles ARTCC's - Salt Lake City to expand south approximately 30 miles into Los Angeles ARTCC's airspace.

Salt Lake City and Denver ARTCC's - Salt Lake City ARTCC to expand east approximately 35 miles into Denver ARTCC's airspace (southeast portion of boundary).

Denver and Salt Lake City ARTCC's - Denver ARTCC to expand 30 miles northwest into Salt Lake City ARTCC's airspace.

Salt Lake City and Denver ARTCC's - Salt Lake City ARTCC to expand east approximately 20 miles into Denver ARTCC's airspace (north portion of boundary).

On January 21, the Federal Aviation Administration (FAA) implemented a national program to expand Tower En Route Control (TEC). Previously, there was no consolidated effort to develop an integrated tower en route sytem. Most efforts were on an individual regional or even facility basis. To enhance the system and improve air traffic service, the expanded TEC program was conceived to redistribute workload causing a reduction of instrument flights in the ARTCC's.

Prior to this national effort, terminal airspace normally extended from the surface to 7,000 feet. Today, the majority of the participating approach control facilities have vertically extended their airspace. Plans are to extend to 10,000 feet at a later date, resources permitting.

As of May 13, approximately 171 FAA and military facilities participate in TEC and provide air traffic control service incorporating a network of 1,805 routes. The participating facilities are:

Alabama
- Birmingham
- Huntsville
- Mobile
- Montgomery

Arkansas
- Blytheville
- Fayetteville
- Fort Smith

California
- Bakersfield
- Bay (Oakland)
- Burbank
- Castle AFB
- Coast (Santa Ana)
- Fresno
- Lemoore NAS
- Los Angeles
- Ontario
- Point Mugu NAS
- Sacramento
- San Diego
- Santa Barbara
- Travis AFB

Colorado
- Colorado Springs
- Denver
- Pueblo

Connecticut
- Bradley (Windsor Locks)

Delaware
- Dover AFB

District of Columbia
- Washington

Florida
- Daytona Beach
- Jacksonville
- Miami
- Orlando
- Patrick AFB
- Pensacola
- Tallahassee
- Tampa
- West Palm Beach

Georgia
- Albany
- Atlanta
- Augusta
- Columbus
- Macon
- Savannah

Illinois
- Champaign
- Chicago
- Moline
- Peoria
- Rockford
- Springfield

Indiana
- Evansville
- Fort Wayne
- Grissom AFB
- Indianapolis
- Lafayette
- South Bend
- Terre-Haute

Iowa
- Cedar Rapids
- Des Moines
- Sioux City
- Waterloo

Kansas
- Hutchinson
- Wichita

Kentucky
- Lexington
- Louisville

Louisiana
- Alexandria
- Baton Rouge
- Lafayette
- Lake Charles
- Monroe
- New Orleans
- Shreveport

Maine
- Bangor
- Brunswick NAS
- Pease AFB
- Portland

Maryland
- Baltimore
- Patuxent River NAS

Massachusetts
- Boston
- Otis AFB

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Michigan
- Detroit
- Flint
- Grand Rapids
- Jackson
- Kalamazoo
- Lansing
- Muskegon
- Saginaw
- Selfridge AFB
- Wurtsmith AFB

Minnesota
- Rochester

Mississippi
- Gulfport
- Meridian

Missouri
- Kansas City
- St. Joseph

Nebraska
- Lincoln
- Omaha

New Hampshire
- Manchester

New Jersey
- Atlantic City
- McGuire AFB

New York
- Albany
- Binghamton
- Buffalo
- Elmira
- Griffiss (Rome)
- New York
- Rochester
- Syracuse
- Westchester (White Plains)

North Carolina
- Asheville
- Charlotte
- Cherry Point MCAS
- Fayetteville
- Greensboro
- Raleigh/Durham
- Wilmington

Ohio
- Akron-Canton
- Cincinnati (Covington, KY)
- Cleveland
- Columbus
- Dayton
- Mansfield
- Toledo
- Youngstown

Oklahoma
- Altus AFB
- Clinton-Sherman
- Lawton
- Oklahoma City
- Tulsa

Pennsylvania
- Allentown
- Erie
- Harrisburg
- Philadelphia
- Pittsburgh
- Reading
- Wilkes-Barre

Rhode Island
- Quonset Point

South Carolina
- Charleston
- Columbia
- Florence
- Greer
- Myrtle Beach AFB

South Dakota
- Sioux Falls

Tennessee
- Chattanooga
- Knoxville
- Memphis
- Tri-City

Texas
- Austin
- Beaumont
- Corpus Christi
- Dallas/Fort Worth
- Gray AAF
- Houston
- Kingsville NAS
- Longview
- Navy Chase
- San Antonio
- Tyler
- Waco
- Wichita Falls - (Sheppard AFB)

Virginia
- Dulles (Chantilly)
- Norfolk
- Richmond
- Roanoke

Washington
- Seattle
- Tacoma/McChord

West Virginia
- Charleston
- Clarksburg
- Huntington
- Parkersburg

Wisconsin
La Crosse
Madison
Milwaukee

The TEC program has been well publicized through letters to Airmen and press releases. Current route descriptions and graphics appear in the Airport/ Facility Directory.

FIELD OFFICE EVALUATION

Senator Andrews: In a June, 1981 report, GAO recommended that FAA demonstrate that actual savings from using leased office equipment would justify its cost before purchasing the equipment for nationwide use. FAA agreed to conduct feasibility studies at a small number of field offices before purchasing additional equipment. Is FAA monitoring the regions to assure they are performing these feasibility studies? If the studies were made, what were the results and how much money can be saved?

Mr. Luffsey: The FAA has an evaluation underway that is intended to measure the impact of Field Office Modernization (FOM) Program equipment in Air Carrier, Civil Aviation Security, General Aviation, and Manufacturing and Inspection District Offices. This evaluation should be complete in mid FY 1983. A decision to purchase FOM equipment will not be made until the results of the evaluation are received.

GADO AIRCRAFT RENTALS

Senator Andrews: In that same study, GAO made several recommendations to strengthen management controls over the aircraft rental program. One recommendation involved using competitive bidding for aircraft rentals. Does FAA think this has cost cutting potential?

Mr. Luffsey: Every possible avenue has been explored for more economical aircraft rental, including competitive bid. Rental agencies generally do not respond to cut-rate tactics, and are not enthusiastic about renting to the U.S. Government because billings are not honored for months in some instances. These factors, plus low aircraft utilization by FAA, have resulted in bid prices as much as three times that of an open market rental for the same aircraft. Due to the relatively small size of this program, and the very broad variety of aircraft involved, it appears most equitable to rent randomly from all available rental sources, and to insure by directive that first and second level supervisory approval and review are accomplished in order to preclude any possibility of impropriety. Also, sole source rental commitments could result in undesirable contractural obligations for the FAA, and could give the appearance of favoritism or collusion with favored rental sources.

CAB DATA BASE

Senator Andrews: The Civil Aeronautics Board maintains a data base on airline financial and traffic information. How does FAA use this data and what are FAA's views on maintaining this system in the future?

Mr. Safeer: The FAA makes use of certain CAB data base elements to support our mission needs to ensure safe domestic and international air transportation and also to support our policy and planning activities. The Office of the Secretary and the FAA are reviewing needs for specific data that are collected by CAB. As part of that review we are exploring alternate methods for meeting our aviation statistical requirements that will minimize industry reporting burdens and meet the intent of deregulation.

FUTURE CONGESTION AT CENTERS

Senator Andrews: Provide detail on which centers will be experiencing congestion problems in 1985, 1990, 1995, and 2000.

Mr. Helms: The FAA analysis of "Operational Delay Day Forecasts for the 20 Air Route Traffic Control Centers for the Years 1982 though 2011" (DOT/FAA/RD-81/93) was published in June 1981 and reiterated in our "Response to Congressional Recommendations Regarding the FAA's En Route Air Traffic Control Computer System" (DOT/FAA/AAP-82-3). By analyzing computer capacity as a function of traffic load, using the 1981 FAA IFR Traffic Forecasts and defining an Operational Delay Day as a day when the Air Traffic Control System is expected to impose air traffic delays on users due to 9020 computer system loading, we are able to analyze when congestion problems will occur. The FAA initiatives to relieve 9020A processing capacity problems are being implemented and appear to be achieving our expectations of relief. Thus, based on our 1981 analysis, we would not expect a significant number of operational delay days at any center in 1985. By 1990, however, the Denver, Houston, Miami, and Oakland Centers would be experiencing a substantial number of operational delay days and by 1995 Albuquerque, Memphis, Minneapolis, and Seattle Centers would be added to the list, and by the year 2000 the remaining 9020A sites, Boston and Salt Lake City, would be experiencing operational delay days. This all assumes that the 1981 forecasts remain valid, that no substantial functional improvements are made, and that the 9020's themselves are not replaced.

EQUIPMENT OUTAGES

Senator Andrews: Please provide software and hardware outage data on the 9020A's, 9020D's, DARC, and ARTS including number of outages, type, and duration for 1980 and 1981.

Mr. Thompson: The composite radar data processing (CRAD) service provided by the 9020 system is used as an indication of the 9020 system performance.

9020D UNSCHEDULED OUTAGES

CAUSE	1980		1981	
	No.	Hrs.	No.	Hrs.
Equipment Failure	68	26	81	45
Standby Engine Generator Failure	1	2		
Weather Effects			2	1
Software	43	14	28	5
Self-Correction Cause Unknown	12	46	11	3
Other Unscheduled Causes	231	80	157	48

9020A UNSCHEDULED OUTAGES

CAUSE	1980		1981	
	No.	Hrs.	No.	Hrs.
Equipment Failure	66	29	48	27
Software	27	7	13	3
Self-Correction Cause Unknown	10	-*	7	2
Other Unscheduled Causes	238	87	251	74

The direct access radar channel (DARC) which provides direct radar data processing (DRAD) service has only been commissioned for three months or less at 12 locations.

DARC UNSCHEDULED OUTAGES

CAUSE	No.	Hrs.
Equipment Failure	3	3
Commercial Power Failure	1	-*
Weather Effects	1	-*
Self-Correction Cause Unknown	2	1
Other Unscheduled Causes	1	-*

* Total hours less than 0.4.

ARTS UNSCHEDULED OUTAGES

CAUSE	1980		1981	
	No.	Hrs.	No.	Hrs.
Equipment Failure	287	1445	236	934
Commercial Power Failure	56	20	45	16
Standby Engine Generator Failure	16	6	20	19
Weather Effects	23	52	13	38
Self-Correction Cause Unknown	109	103	115	147
Other Unscheduled	73	49	46	26

All data is listed by calendar year. ARTS software outages are listed under terminal automated radar service (TARS) service.

LOCATION AND DATES FOR INSTALLATION OF FIRST REHOST COMPUTER

Senator Andrews: At what center does the FAA plan to install the first rehost computer? What is the approximate installation date?

Mr. Albrecht: The Miami, Florida, Air Route Taffic Control Center (ARTCC) is scheduled to be the first site to receive the rehost computer. It will be delivered during the 4th quarter of FY-1985 and become operational during the 3rd quarter of FY-1986.

INCREASED COMPUTER CAPACITY

Senator Andrews: By what factor will processing capacity be increased by rehosting?

Mr. Albrecht: Based upon a host computer having a 5 million instruction per second capacity and taking into account processing overhead, the capacity increase for ATC purposes will be about 7 to 8 times over the 9020A and 4 times over the 9020D.

SOFTWARE REQUIREMENTS

Senator Andrews: What percent of current software will need to be rewritten to operate on the new hardware?

Mr. Albrecht: We estimate that about 12,000 changes and new instructions to the current 9020 software will have to be made. That is 3 percent of the approximately 400,000 instructions in the current 9020 software.

CURRENT SYSTEM COSTS

Senator Andrews: What is the projected cost of maintaining the current systems?

Mr. Helms: The costs for en route automation maintenance and support for FY-1982 include operation cost components for personnel, material and facilities services. Personnel include Air Traffic Data System Specialists, Airway Facilities Technicians, FAA Technical Center hardware and software support personnel and Oklahoma City Academy instructors. Material costs include spare parts, modification kits, and the exchange and repair programs. Facilities service costs include costs of energy, leased communication, training, contractual support, documentation, and that part of the FAA technical facilities supporting the center.

Personnel	$65,570,000
Material	$ 4,297,000
Facilities Services	$10,728,000
Total	$80,595,000

NEXRAD BENEFITS

Senator Andrews: According to a 1981 preliminary assessment of the costs and benefits of NEXRAD, no allocation of benefits is possible from available data to the Departments of Commerce, Defense, and Transportation, the agencies which are jointly developing and acquiring the NEXRAD weather radar system. How are NEXRAD benefits to FAA quantified? What is the most recent cost/benefit ratio for FAA associated with NEXRAD?

Mr. Albrecht: In January 1982, FAA initiated a study to assess the costs to the National Airspace System of detecting and tracking severe weather using a network of doppler weather radars. The study will further address system alternatives for various acquisition strategies, development costs, maintenance costs, and other life-cycle considerations. Analysis results including a cost/benefit ratio will be available by October.

WEATHER RELATED ACCIDENTS

Senator Andrews: What is FAA doing to accumulate information on aviation losses due to severe weather?

Mr. Albrecht: The FAA has collected in the past, and continues to collect weather-type information relating to General Aviation accidents and for General Aviation and Air Carrier incidents. The type of weather information being collected includes primary and secondary flying conditions (IFR, VFR, and light rain, snow, turbulence, etc.); sky conditions (broken clouds, clear, scattered,

etc.); ceiling; visibiiity; wind; and visibility restrictions (blowing snow, fog, rain, smoke, etc.). These types of data are available by direct computer retrieval from 1977 to the present for General Aviation accidents and from 1978 to the present on incident-type occurences.

WEATHER

Senator Andrews: FAA developed and is installing a Low Level Wind Shear Alert System at 60 U.S. airports. This system, designed to detect dangerous changes in wind speed and direction above airport surfaces, could be an alternative to NEXRAD in meeting FAA requirements. How is FAA evaluating the full-range of alternatives to a network of doppler radars?

Mr. Albrecht: The Low Level Wind Shear Alert System (LLWSAS) is excellent in detecting thunderstorm gust fronts and wind shift lines that affect airport approach and departure zones out to 1.5 miles from touchdown or lift-off. It cannot, however, provide warnings beyond that distance nor can the system detect the convective activity that creates the gust front and associated hazards. This is best done by weather radar and preferably one that can take advantage of doppler technology; such as, the proposed NEXRAD network. For the best hazard detection available, the NEXRAD and LLWSAS compliment each other. FAA is also currently conducting an analysis to assess the alternatives to a network of Doppler radars. Those results will be available this summer.

Senator Andrews: What impact would alternatives to a network of Doppler radars have on the numbers, location of radars needed, the acquisition and life cycle costs, and the operational benefits to FAA?

Mr. Albrecht: A definitive cost/benefit analysis and alternatives to NEXRAD is currently underway. Answers are forthcoming in the cost/benefit study which will be available in October. In addition, the FAA plans to retrofit or add weather receive only channels to the Airport Surveillance Radars (ASR's) models 7, 8, and 9 which will help eliminate the need for much of the NEXRAD coverage in the terminal area. These weather channels will have the ability to measure precipitation intensity only but cannot provide additional hazard detection available in the doppler radars. Nevertheless, they will aid in reducing the numer of NEXRAD radars required for nationwide terminal coverage.

FLEET MODERNIZATION

Senator Andrews: How much of the FAA fleet is currently scheduled to undergo modernization? What are the projected costs and efficiencies which will result from this?

Mr. Luffsey: We currently plan to replace 26 of the aircraft now in the FAA fleet. These requirements will be spread out over a 3-year period to accommodate leadtimes necessary for aircraft deliveries and crew training. During this period, 18 aircraft will be replaced in 1983, 6 in 1984 and 2 in 1985. The projected costs of the program are $137.4 million, $86.4 of which is reflected in our FY 1983 Budget Request.

Funds in the amount of $7,125,376 which were appropriated in prior years are still available to us. These funds were not used for the purposes originally intended because price proposals for the Sabre 80 Service Life Extension Program were about twice that of

the original estimates which had been based on the costs of similar work previously performed by the same contractor for the FAA and the U.S. Air Force. Wing modifications for the Sabre 80 aircraft were to be performed in conjunction with the life extension program; however, there is, of course, no point in doing the work without extending the service life of the aircraft.

We are taking action to reprogram the funds still available from prior-year appropriations to procure items which normally require long leadtimes and are not readily available as off-the-shelf items which could delay implementation of the Aircraft Fleet Conversion Plan.

The benefits and efficiencies to be obtained are very significant. Fuel savings will amount to 5.5 million gallons per year and we will save $15.9 each and every year after implementation. Additionally, costs of $39.6 million for modifications necessary to continue operating the current fleet will be avoided. The replaced aircraft, which will be sold by the General Services Administration, are now valued at $19 million which will be returned in one way or another to the Government. The program costs will cross over or pay out in the fourth year after implementation.

REGIONAL OFFICE REORGANIZATION

Senator Andrews: What is the status of the regional reorganization which was supposed to be completed by April? Will there be additional consolidations?

Mr. Helms: The consolidations of FAA's Rocky Mountain and Northwest Regions, and the Western and Pacific-Asia Regions have been completed. The majority of affected personnel in the former Rocky Mountain and Pacific-Asia Regions have been transferred, retired, or placed with other Federal agencies. The remainder who chose not to relocate or could not be placed within the FAA were separated. Rocky Mountain Region employees were transferred to the consolidated Northwest Mountain Region with headquarters in Seattle, Washington. Pacific-Asia employees were transferred to the consolidated Western-Pacific Region headquartered in Los Angeles, California.

Continuing studies of all elements of FAA indicate that there is no longer the need for all the dispersed and personnel-intensive installations that were originally required. Thus, the agency will continue to examine those that can be combined in more effective and automated facilities, while offering improved service to the public at significant reduction in cost to the taxpayer.

STATUS OF ENGINEERING AND DEVELOPMENT PLAN

Senator Andrews: Your Engineering and Development Plan, which is supposed to accompany the National Airspace System Plan was due to be completed in March 1982. What is the status of this report?

Mr. Helms: We anticipate that the Engineering and Development Plan will be available for public review in approximately 60 days.

ILS-MLS TRANSITION

Senator Andrews: FAA has proposed a plan to replace the current instrument landing system (ILS) with a microwave landing system (MLS). What is your time schedule for this replacement?

Mr. Helms: We are planning to install MLS equipment beginning in 1985.

Senator Andrews: Please detail your transition plan for this replacement including whether both systems will be maintained in parallel and how long FAA plans to continue purchasing and installing ILS?

Mr. Helms: Our plan calls for installation of 15 systems in 1985 and building up to a maximum of 100 systems installed annually beginning in 1989 until completion of the planned 1,255 systems. Both systems are planned to operate in parallel and the following general rules would be expected to be followed regarding ILS ground system decommissioning:

- No ILS decommissioning will occur within the two-year period following the colocation of an MLS.

- An ILS will be removed when both of the following conditions are met:

  ° All of the network ILS equipped airports have operational MLSs. ILS service at international runways will be retained, however, where the ICAO protection date applies (current protection is to 1995), and

  ° Two thirds of the aircraft with precision approach capability that routinely use the ILS/MLS equipped runway have MLS avionics. Aircraft equipped with MLS avionics will be determined by a survey of aircraft using the MLS/ILS runway.

- An ILS would be decommissioned in all cases where an MLS was colocated with it for a ten year period.

- An additional consideration at some locations will be the ICAO ILS protection for international designated ILSs (protection presently until 1995).

The FAA does not plan any further procurement of ILS equipment for the establishment program and is expected to complete installation of ILS currently under contract by 1984. Procurement of ILS equipment required to complete the replacement program is planned in FY 1983 and installation is expected to be completed in FY 1985.

Senator Andrews: Your budget justification includes $30 million for ILS modernization. Please explain your justification for this if you intend to replace ILS in the future.

Mr. Helms: FAA plans for the implementation of the MLS are for an extensive transition period, into the 1990s. During this period the present conventional ILSs must continue in operation to provide time for the aviation community to equip their aircraft with the required avionics, and to allow for MLS ground equipment procurement and deployment.

Present tube-type ILS equipment, 20 to 35 years old, is manpower intensive, difficult and costly to supply support, and decreasing in reliability.

To reduce these problems while, at the same time, keeping the replacements to an absolute minimum, it is planned, during the transition period, to replace existing tube-type ILSs on a selective basis.

Replacement of tube-type ILS equipment will be limited to those airports which are not planned to receive MLS equipment prior to 1990, and where it is the only ILS on the airport or where it serves the prime instrument runway.

Approximately 150 tube-type ILSs, including an estimated 130 full systems and 20 partial systems, will be replaced.

When fully implemented, the total replacement program will result in estimated annual savings of $7.7 million and 119 employee-years in maintenance manpower.

ILS - MLS TRANSITION

Senator Andrews: If a highly reliable solid state ILS is available, please explain your rationale for not continuing to use it and reserving MLS for only those few sites where it is absolutely necessary because of terrain or man-made interference?

Mr. Helms: I would have to agree with you if terrain or man-made interference are the only purposes for MLS, but they are not. We have to look ahead several decades to when ILS will not have the capability to support the National Air Space System. At that time, we will need a system that will provide greater accuracy to improve safety; we will need curved approaches for greater utilization of terminal air space and to lessen noise problems; we will need a system to permit the independent operation of commuter aircraft to and from short runways at major terminals; and we will have to overcome interference problems if we are to have an orderly expansion of precision approach capability to other airports. MLS is designed for these future needs, and we must start now if it is to be in place when needed.

Senator Andrews: Why don't you have any funds for MLS in your FY 1983 budget request?

Mr. Helms: Our planned budget amendment includes $19.7M for MLS at 15 locations.

ROTARY WING AIRCRAFT

Senator Andrews: FAA has projected an increase in rotary wing aircraft usage particularly in the Washington-New York Corridor. What are these projections based on? What are the economies of this type of travel? Has FAA looked at the effects of this on other modes of transportation in that corridor, particularly rail service and other commercial air shuttles (fixed wing)?

Mr. Safeer: Overall, our forecasts show an 83 percent increase in the number of active helicopters and 96 percent increase in the number of hours flown during the 1982-1993 forecast period. These forecasts are based on the projections of national economic activity and analyses of industry trends. The projected increase in helicopter activity will occur primarily because of the use of helicopters in off-shore oil and gas production, for emergency and rescue operations and for business and executive travel in some areas of the country.

Some airports in the Northeast Boston-Washington Corridor are constrained because of airspace capacity or ground access. The use of helicopters with their unique operating characteristics, including all-weather Instrument Flight Rule

(IFR) capabilities, offer some potential relief to the transportation systems in the corridor. FAA recognizes the potential in helicopter service in the corridor and has installed navigational aids and developed air traffic control operating procedures to facilitate safe and efficient all-weather helicopter use of the corridor without interferring with existing fixed-wing IFR air routes.

Although we do not make forecasts of helicopter activity in specific corridors, the potential for growth in the Northeast Corridor is indicated by the fact that since 1975 the number of IFR certified helicopter operators using the corridor has increased from 4 to 21. In addition, 15 other operators are eligible to apply for authorization.

We anticipate no short term impact on existing rail and air shuttle passenger services in the corridor. Currently, the only commercial helicopter passenger transportation activity is in the New York metropolitan area between Manhattan and the three Port Authority airports. No new entrants are anticipated in the near future.

With regards to the economics of this type of travel, the operating characteristics of the helicopter make it a very versatile tool with distinct advantages over conventional modes of transportation in some areas. It can be used to reach places not easily accessible by rail or by fixed-wing aircraft. Further, the helicopter can be used as a complement to existing modes of transportation for providing a link between large commercial airports and reliever and general aviation airports, or between airports and central business areas and industrial or commercial areas.

MODE S

Senator Andrews: The NAS Plan indicates that FAA is switching from DABS to Mode S transponders as an air-to-ground system. What has been the investment to date in DABS? What are the differences between DABS and Mode S? What are the additional costs which will be incurred by this switch? What are the benefits?

Mr. Albrecht: The investment in DABS was $56,400,000. The name Mode S has been adopted, in lieu of DABS, to conform to the international designation for the selective address surveillance mode of secondary radar. All internationally agreed formats and protocols originally applied to DABS transponders also apply to Mode S transponders with the exception of the ATARS features which have been removed from Mode S.

There will be no additional costs resulting from the switch from DABS to Mode S. The benefits of switching from DABS to Mode S are that removal of the ATARS function from the Mode S ground sensors reduces the complexity of the sensor design by removing these software and hardware features required by a ground based collision avoidance system.

MILITARY MODE S COSTS

Senator Andrews: The military has indicated that switching to Mode S will cost the Department of Defense over a billion dollars. Has FAA considered this substantial cost to the government in its cost-benefit analyses for Mode S?

Mr. Albrecht: The DOD costs are dependent upon the timing for equippage. The dates for required equippage are presently under

discussion and until they are settled the cost and benefits considerations cannot be reasonably addressed.

MODE S TRANSPONDERS

Senator Andrews: How does FAA intend to encourage users to invest in Mode S transponders? Are financial incentives projected? Costs to users?

Mr. Albrecht: FAA does not plan any rulemaking concerning mandatory carriage of transponders at this time. We would hope that our intent would be signaled by our Mode S implementation program and that all transponders purchased after 1986 would be Mode S.

There is a possibility of future rulemaking covering carriage of Mode S equipment in some airspace such as TCAs and positive controlled airspace.

We do not foresee any direct financial incentives from the government to support Mode S equippage. Users will be expected to continue to bear the full costs of equippage. While the Mode S transponder costs are a bit higher than the existing ATCRBS equipment more capabilities and resulting services will be provided.

TCAS TECHNICAL PROBLEMS

Senator Andrews: FAA is advocating the use of the Threat Alert Collision Avoidance System (TCAS). The predecessor of this system, Beacon/Collision Avoidance System (BCAS) was known to have some problems, such as false warnings. Will the problems that have been found to exist in the BCAS be corrected in the TCAS before its use by commercial airlines becomes mandatory?

Mr. Helms: The TCAS II system represents a significant improvement in the capability over the Active BCAS system. TCAS II utilizes a directional antenna in conjunction with appropriate processing circuitry to eliminate the high density area signal saturation problems of the Active BCAS system. This antenna also permits the generation and display of traffic advisory information to the pilot. This feature has been highly recommended by the airline pilots. The technical improvements have all been incorporated into the TCAS II design and will be available in the time period we have announced for TCAS I and II implementation.

The processing and use of the directional information available from the directional antenna substantially reduces the false warning problem of airborne BCAS equipments. Hense, we believe that TCAS II systems will provide satisfactory operation in all airspace.

DEVELOPMENTAL AND OPERATIONAL TESTING OF TCAS

Senator Andrews: What sort of provision have you made for both developmental and operational testing of the TCAS to assure that these problems have been adequately addressed?

Mr. Helms: The TCAS Program includes an extensive flight test activity designed to ensure the technical and operational performance of the concept prior to its implementation in user aircraft. Engineering test and evaluations at FAA Technical Center and at MIT Lincoln Laboratory have accumulated more than 200 hours of flight time in a variety of environments ranging from benign test center environments to densely travelled terminal areas. Equipment tested include units supplied by Dalmo-Victor Operations of Bell Aerospace TEXTRON and will soon include units from Bendix Corporation.

In 1981, operational evalutions were conducted in an FAA Technical Center B727 aircraft. This 126-hour test of the domestic airspace provided valuable insights into the operation of airborne collision avoidance equipments in the air carrier environment. Subsequently, we have performed operational evalutions in cockpit simulation at Boeing Commercial Airplane Company, on flight aircraft at Lincoln Laboratory and on in-service air carrier aircraft. We are continuing our work at Boeing and expect to implement a fully operational TCAS II cockpit in an FAA Technical Center B727 aircraft late this year. The evaluation on the FAA test aircraft will be followed by additional evaluations on in-service air carrier aircraft.

RELATIONSHIP OF TCAS TO MODE S

Senator Andrews: What is the relationship between TCAS I and II and the Mode S transponder?

Mr. Albrecht: The Mode S transponder is an integral part of both the TCAS I and TCAS II systems. TCAS uses Mode S message formats for air-to-air surveillance and communication between TCAS equipped aircraft. When a potential collision threat is detected by a TCAS II aircraft, an appropriate evasive maneuver will be either posted in TCAS I or coordinated with TCAS II equipped aircraft via the Mode S data link.

FUTURE USE OF NAVSTAR/GPS

Senator Andrews: FAA has indicated that the NAVSTAR/GPS navigation system is not feasible for aviation users for the timeframe of the Plan. What was the rationale for this assumption? How does this differ from the projections of usage for maritime operators?

Mr. Albrecht: I will provide that for the record.

(the information follows)

A preliminary FAA recommendation for the future radionavigation system mix including the role of NAVSTAR/GPS is scheduled for the end of CY-1982 and a joint DOT/DOD preliminary recommendation is scheduled for CY-1983.

For a system to be considered as part of the NAS Plan, the system must be installed, proven, and fully operatinal by 1990. NAVSTAR GPS will require at least a 10-year transition period for users to change from the current VOR DME to NAVSTAR GPS avionics. Therefore, assuming that NAVSTAR GPS is fully funded in FY-1982 (currently there are no satellite production funds in FY-1982), the earliest that a full constellation of satellites could be in orbit is 1988. Also assuming that civil avionics manufacturers have NAVSTAR GPS sets on the market in 1988 it will be 1998 before civil users could be fully equipped. This is 8 years beyond the proposed 1990 NAS Plan date.

As for maritime operators, they are under a different environment and do not have government set regulations for radionavigation use. The U.S. Coast Guard and the Maritime Administration are investigating the use of NAVSTAR GPS by maritime operators as part of the Federal Radionavigation Plan.

TELECOMMUNICATIONS NETWORK

Senator Andrews: FAA intends to significantly increase the efficiency of its telecommunications network. What is the potential

for other DOT elements to take advantage of this system? Who will develop and manage the integrated FAA/DOT Telecommunications Network, and how will assurance be provided that aviation needs won't be sacrificed for non-aviation requirements?

Mr. Albrecht: The integrated network envisioned by FAA will have a baseline sizing sufficient to ensure that FAA's aviation safety and regulatory functions are satisfied. Other requirements will use spare capacity of the networks or require additions to the network. Any inclusion of other non-aviation requirements that would expand the baseline sizing will have to be reimbursed from the other DOT administrations. The FAA has consistently maintained that our aviation safety mission takes precedence over all other functions we manage. Aviation Safety is preeminent in both law and the spirit of the agency and cannot be contravened. We have addressed this policy issue with OST in regards to our NADIN network in order that they establish such a departmental system of priorities, recognizing aviation safety before all others. DOT accepts that Air Traffic Control messages have first priority and other DOT needs will be met on a time available basis and on the same networks when it is cost effective to do so. The subject of management of the integrated system has not been decided but I would assume in as much as the basic system would be FAAs that we would be the manager.

Senator Andrews: Numerous studies have been shown that leased services are significantly less costly than other options. Has FAA conducted any study which fully develops the costs of various methods for obtaining long distance telecommunications?

Mr. Thompson: The telecommunications environment is a rapidly changing one. The advent of a high degree of competition, the rapid decrease in the costs of communications facilities, the impact of deregulations, and the massive rate increases in 1981 have radically changed the cost-effectiveness equations in that area.

At present the balance has swung to ownership. High reliability equipment using integrated circuits and advanced technology and requiring minimal maintenance can frequently be purchased for 24-30 times the monthly lease price. It can thus pay for itself very rapidly.

Currently, when we order equipment and lines, we use the competitive process to, as high a degree as possible, to assure we are obtaining the lowest costs commensurate with our requirements. If FAA owned facilities (such as RML's) are available, they are used wherever possible. In the long run, the best answer is the development of an integrated FAA communications network utilizing the most cost effective mix of equipment and media with FAA ownership where that is cost effective, and lease where it is not. The NAS Plan delineates such a project and we have already embarked upon it.

SECTOR SUITE PRODUCTIVITY INCREASES AND TIMETABLE

Senator Andrews: Please detail what increases in productivity FAA expects to realize from the modernization of controller sector suites. Include the timeframe of when these benefits should occur.

Mr. Albrecht: The new sector suites will make possible several system features that significantly increase productivity. The first productivity gain will be possible when the sector suite and the new software to support an electronic tabular display capability are fully oprational (1989/1990 timeframe). The second major gain will occur when the full AERA system becomes operational in the.

mid-1990's. The new sector suite, particularly its multiple display surfaces and processing capability, is an important component of AERA.

The initial productivity step is expected to provide the following benefits:

1. Elimination of controllers who man flight strip printers and distribute the strips (one person for every four sectors).

2. New flight data manipulation tools that allow the D (Data) controller to better assist the R (Radar) controller. This will allow the two-man control team to handle more traffic and eliminates the need for a third controller during peak periods. Today, at busy centers, a third controller is required for as much as 4 hours per day (3-6 person reduction per center).

Full AERA will allow not only a further reduction in sector staffing but also allow much larger sectors to be operated by a controller. A conservative goal is to achieve at least a doubling of sector size with AERA.

SAVINGS RESULTING FROM THE NAS PLAN

Senator Andrews: FAA has projected savings of $9.1 billion through 1990 and $43.2 billion through 2000 as a result of implementing the NAS Plan. Please detail these savings by category; such as, fuel costs, maintenance, operations, personnel, etc., and by recipient; such as, FAA, industry, general aviation pilots, etc.

Mr. Helms: Through 1990, the FAA projects savings for Air Traffic staffing of $3 8 billion, Airway Facilities staffing of $1.6 billion, lease and communications of $1.6 billion, and rents and utilities of $2.0 billion. Additional savings to the industry and users are over and above the $9.1 billion project in the NAS Plan.

Through the year 2000, FAA savings projection for Air Traffic staffing is $17.9 billion; for Airway Facilities staffing, $5.8 billion; for lease and communications, $9.9 billion; and for rents and utilities, $9.6 billion. Additional savings to the industry and users are over and above the $43.2 billion projected in the NAS Plan.

Senator Andrews: Please detail the projected equipment requirements and associated costs which will be imposed on the aviation users as a result of proposals in the NAS Plan.

Mr. Albrecht: I will provide that for the record.

(the information follows)

NAS PLAN RELATED AVIONICS

Aircraft Type	1980 Aircraft Population	MLS Equipment (Unit Cost)	Mode S Equipment (Unit Cost)
Single Engine G/A	170,000	$ 2,600 (single)	$3,200 (single)[1]
Twin G/A	25,000	15,200 (single)[3]	
Turbo	7,500	15,200 (single)[3]	12,000-15,000 (single)
Commuter	5,000	15,200 (single)[3]	25,000-30,000 (dual)[2]
Air Carrier		35,500 (dual)[4]	

[1] Equipment includes Mode S solid state transponder ($2,100) with an altitude encoder ($600) and minimum data link display ($500).

[2] Includes only Mode S transponder built to ARINC characteristics. Current equippage would normally include an altitude encoder and for new generation aircraft would include data link input/output devices. Retrofit of data link input/output devices would run from $3,000 and up depending on sophistication desired by user.

[3] Includes conventional DME interrogator.

[4] Includes precision DME and navigation computer interface.

EQUIPMENT AVAILABILITY

Senator Andrews: Is this equipment currently on the market?

Mr. Albrecht: None of the equipment is currently on the market. Our current estimated availability schedules are as follows:.

Equipment	Implementation
MLS - Airborne	One or two manufacturers are expected to have technical standard order (TSO) approved MLS airborne receivers available during 1982.
Mode S	Initial airborne implementation incorporated in TCAS - FY-1983-1984, initial ground system implementation - 1986
Data Link	Mid-late-1980's

CONSOLIDATION OF ATC FACILITIES

Senator Andrews: You plan to consolidate 25 en route centers and 188 terminal facilities into 60 air traffic control facilities by the year 2000. Please detail how your schedule for consolidation of ATC facilities is consistent with the scheduled computer replacement beginning in the mid-1980's.

Mr. Van Vuren: The National Airspace System Plan schedule for the consolidation of ATC facilities is consistent with the scheduled computer replacement in that only the latter two of the four ARTCC consolidations is dependent upon the host computer replacement program, the last of which is to be completed in 1987. The first two consolidations would use existing computer systems capable of absorbing additional airspace and traffic.

The hub consolidation program is dependent upon host system completion in the centers, availability for the hubs, and sector suite, the last of which is to be completed in 1990.

DATA COMMONALITY

Senator Andrews: Will there be any attempt on the part of FAA to provide commonality of data processing and display equipment of FSS and ATC automation?

Mr. Van Vuren: Yes, however, the data processing requirements for FSS's are different than the requirements for centers and towers. The National Airspace System Plan dictates significant commonality in the area of data processing. Due to operational requirements there will be some differences in position display equipment.

USER FEES

Senator Andrews: Has the Federal Aviation Administration (FAA) investigated the possibility of levying user fees on the basis of fuel usage only? What sort of per gallon rate would be required in order to generate sufficient funding in the Trust Fund to support FAA's proposals?

15-453 O - 83 - 35

Mr. Helms: The collection of user fees on the basis of fuel usage only has been considered in the past. The selection of the tax structure that this Administration proposes to renew was based in part of the recognition that commercial airlines would treat a tax on fuel as a cost of doing business and pass it along to passengers in the form of higher ticket prices. The Administration's ticket tax proposal merely seeks to apply the user tax at its point of final incidence and to avoid the cost of changing from the established collection procedures.

In order to achieve full cost recovery from commercial airlines for that portion of FAA program costs incurred on their behalf, a fuel tax rate of approximately 28 cents per gallon would be needed over the period FY-1983 through FY-1987. To achieve a comparable level of recovery from the general aviation sector would require fuel tax rates of between $0.52 and $1.06 cents per gallon depending on the cost allocation methodology used.

PASSENGER HEAD TAXES

Senator Andrews: Please describe for the record the procedure used for collecting head taxes from airlines. Include data on how long the airlines keep these taxes before turning them over to the Government and how much money is involved.

Mr. Helms: The excise tax on airline passenger tickets is computed by airlines as a percentage of their gross passenger receipts and submitted to the Treasury Department. It is our understanding that, in general, the regulations governing federal excise taxes require submission of these revenues to the Treasury within six weeks of the date of collection. Historically, Treasury has received approximately 46 percent of ticket tax revenues in the quarter in which they were collected. At present, such monies are credited by Treasury to the General Revenue Fund. Prior to September 30, 1980, ticket tax revenues were credited to the Airport and Airway Trust Fund. In FY-1982, quarterly revenue accruing from the passenger ticket tax is estimated to be approximately $318 million.

VFR FLIGHTS

Senator Andrews: The NAS Plan seems to concentrate on the controlled portions of the airspace, excluding the 90% of general aviation operations which take place under visual flight rules (VFR). Please detail how you expect the plan will impact on VFR flights and explain your rationale for not including projections of more controlled airspace through the end of the century.

Mr. Van Vuren: The central objective of the National Airspace System Plan is to provide for the safe and efficient use of the Nation's airspace, while minimizing constraints on its use. We believe that system limitations on any class of user's right-of-access to the system should be imposed only when no other recourse is available to ensure the common good. A very high level of midair collision protection, a ground independent airborne separation device, called TCAS, will be available. "Seen-and-be-seen" operations will continue and may be supplemented by new systems.

Implementation of several programs, such as, flight service automation, center weather processor, and Mode S data link, will improve service to the VFR user by providing immediate access to meteorological, aeronautical, flight planning and system status information.

$16 MILLION SUPPLEMENTAL

Senator Andrews: Your are requesting a $16 million supplemental request for the FY-1982 Research, Engineering and Development account. How much of this request is tied to the NAS Plan modernization?

Mr. Helms: Of the $16 million supplemental request, $12.3 million is tied to the NAS Plan modernization. The remainder is for other critical efforts; such as, separation standards, airport capacity studies, future navigation planning, cockpit engineering, mid-air collison avoidance systems and runway traction.

Senator Andrews: What will result if you do not get this supplemental? Detail which R&D programs will be discontinued?

Mr. Helms: The addition of the $16 million to the FY-1982 appropriation is necessary to carry out the basic minimum development efforts required in FY-1982 to support the NAS Plan.

The specific efforts that will not be carried out or severely impacted will be provided for the record.

(the information follows)

1. Expediting the development of software for the AERA program to meet the schedules of the recently approved National Airspace System Plan. AERA will provide for improved flight profiles, reduce system errors, and increase ATC productivity.

2. Development of enhancements to the ARTS II system that will provide critical safety capabilities including conflict alert and minimum safe altitude warning systems.

3. System engineering studies relating to the advanced automation program schedule and cost risks associated with this multi-billion dollar program.

4. Improvements to the weather sensing and display to controllers. These efforts have high safety benefits.

5. Development of enhancements to the automation of flight service stations. These enhancements include pilot self-briefing capabilities which are keyed to realizing productivity gains of up to $1.3 billion over the next 10 years.

6. Communications designs to support the new sector suite development and upgraded data networks between air traffic control facilities (centers and towers and flight service stations).

7. The data link program to develop the capability to provide routine automated services, such as, weather and clearance information to pilots. This effort has both safety and productivity implications.

8. Improvements in vertical and lateral separation standards aimed at reducing the fuel costs to the airlines.

9. Continuation of the MLS service test and evaluation program which is critical to the operational integration of MLS into the NAS.

10. Continuation of FAA participation in the joint DOC/DOD/DOT NEXRAD development program in providing improved weather information.

TRAVEL AND TRANSPORTATION COSTS

Senator Andrews: Travel costs in your operations account have increased from $41 million in 1981 to $90 million in 1983. Why? How do you account for this increase?

Mr. Weithoner: Travel increased from $41 million in 1981 to $70 million in 1982, an increment of $29 million. Our original 1982 Congressional request consisted of $48 million. This original increase of $7 million from 1981 was basically composed of an approximate $3.5 million increase in per diem across all FAA operations activities, and an approximate $1.6 million increase in GSA vehicle rentals in our Installation and Materiel activity. However, the recent August 3 air traffic controller strike forced us to reprogram an approximate $20 million of additional funding into Centralized Training for a revised 1982 Congressional request of $70 million.

Travel increased from $70 million in 1982 to $91 million in 1983, an increment of $21 million. This increase is basically composed of an approximate $5.1 million increase in our Air Traffic activity and an approximate $4.2 million increase in our Centralized Training activity, both of which support strike recovery. The balance of the increase, $11.7 million, basically funds for increased training requirements (an approximate $6.2 million), increased travel requirements (an approximate $3.6 million), and increased operating costs (an approximate $1.3 million) - across all FAA operations activities.

Senator Andrews: How do you account for the increase from $14 million in FY 1981 to $24 million in FY 1983 in transportation of things?

Mr. Weithoner: Transportation of things increased from $14 million in 1981 to $15 million in 1982, an increment of $1 million. This increase is basically composed of change of station costs primarily in our Air Traffic activity (an approximate $.8 million).

Transportation of things increased from $15 million in 1982 to $24 million in 1983, an increment of $9 million. This increase is basically composed of an approximate $4.1 million increase in additional permanent change of station costs in our Air Traffic activity, and an approximate $2.4 million increase in program requirements in our System Maintenance (an approximate $2.0 million), and Installation and Materiel (an approximate $.4 million) activities. The balance of the increase, $2.5 million, basically funds for increased transportation costs across all FAA operations activities.

TOWER CLOSURES

Senator Andrews: Please provide for the record a list of the 80 towers that were closed after the strike, 17 that were reopened for part-time, peak load operation, when you plan to reopen the towers and the cost (including direct) of closing any of the towers.

Mr. Van Vuren: The following is a list of the 80 locations that were closed temporarily after the strike:

Tuscaloosa, AL
Flagstaff, AZ
Hot Springs, AR
Pine Bluff, AR
West Memphis, AR
Chico, CA
El Monte, CA
Fresno (Chandler), CA
Imperial, CA
Lancaster, CA
Marysville, CA
Merced, CA
Oakland (North), CA
Oxnard, CA
Palo Alto, CA
Riverside, CA
Salinas, CA
San Carlos, CA
San Diego (Brown), CA
San Jose (Reid-Hillview),CA
Santa Maria, CA
Danbury, CT
Groton, CT
Dade-Collier (Miami), FL
St. Petersburg (Albert-Whitted), FL
Athens, GA
Brunswick, GA
Valdosta, GA
Molokai, HI
Twin Falls, ID
Danville, IL
Galesburg, IL
Marion, IL
Bloomington, IN
Muncie, IN
Salina, KS
Topeka (Billard), KS
*Owensboro, KY
Paducah, KY
Alexandria, LA
Shreveport (Downtown), LA
Beverly, MA
***Falmouth, MA
Lawrence, MA
Martha's Vineyard, MA
New Bedford, MA
Worcester, MA
Ann Arbor, MI
Benton Harbor, MI
Greenville, MS
Jackson (Hawkins), MS
Cape Girardeau, MO
Joplin, MO
Grand Island, NE
North Las Vegas, NV
Lebanon, NH
Morristown, NJ
*Hobbs, NM
*Farmington, NM
Santa Fe, NM
Hickory, NC
Kinston, NC
New Bern, NC
Akron (Muni), OH
Cleveland (Cuyahoga), OH
Ardmore, OK
*Enid, OK
Pendleton, OR
Mayaguez, PR
Ponce, PR
North Myrtle Beach, SC
Spartanburg, SC
Knoxville (Downtown), TN
Harlingen, TX
Laredo, TX
McAllen, TX
Plainview, TX
San Antonio (Stinson), TX
Olympia, WA
Lewisburg, WV

Seventeen towers were closed and since reopened when resources became available to resume services at these locations. One other**** has been temporarily reopened.

El Monte, CA
Oakland (North), CA
Harlingen, TX
Morristown, NJ
San Jose (Reid-Hillview), CA
North Las Vegas, NV
Olympia, WA
****Knoxville (Downtown), TN (temp. FAA ATCT reopened 3/1/82 till end of 1982 World's Fair)
Palo Alto, CA
Oxnard, CA
Twin Falls, ID
San Carlos, CA
Salinas, CA
Molokai, HI
Kinston, NC
Santa Maria, CA
Riverside, CA
San Diego (Brown), CA

*Local or state governments have leased FAA facilities on a short-term basis and are providing contract service.

***Military assumed operation of ATCT only. FAA had staffed under a reimbursable agreement.

As we progress in rebuilding the air traffic control system and staffing becomes available, we plan to reopen facilities where possible. However, we must initially concentrate on staffing critical or higher activity radar facilities and major control towers. This strategy is necessary to ensure that system capacity grows as planned and the Nation's essential air commerce is maintained.

Minimal costs (approximately $10,000-15,000 per facility) were incurred when the towers were closed temporarily. These costs involved providing for continuation of services and components essential to the National Airspace System and to ensure continued airport operations.

FSS CLOSURES

Senator Andrews: The committee expressed concern last year that FAA appeared to be "temporarily" closing flight service stations until further review was completed to determine the need for the stations. Please provide a list of all flight service stations that are temporarily closed and the estimated cost of closing each station. Are those costs reflected in your FY 1983 budget submission?

Mr. Van Vuren: Cotulla, Texas, FSS is the only FSS temporarily closed. Additionally, we have temporarily reduced the hours of operation at 57 other FSSs. These emergency actions were required due to personnel shortages, sick leave, contractually required vacation leave, resignations, retirements, personnel transfers, and promotions over which we have limited control. There are no costs involved in these temporary actions, therefore, we do not budget for them.

DELAYS

Senator Andrews: Please describe the total cost of airport delays in 1981, the nature of the costs, the trend of these costs over the last five years, and to what, aside from the strike, you attribute this trend. What are you spending (exclusive of your proposed changes through the National Airspace System Plan), to reduce delays and how does that compare with the cost of delays?

Mr. Segner: It is impossible to derive an accurate estimate of the total cost of airport delays in 1981 at this time because the data on 1981 delays are incomplete. The National Airspace Command Center

(NASCOM) reports, which include only delays of thirty minutes or more, show a total of 96,382 such delays for calendar year 1981, a 67 percent increase over the 57,544 such delays for calendar year 1980. Prior to the strike the NASCOM delay reports were comparable to reported delays during the same periods in 1980.

The 1980 NASCOM delay figure corresponded to an average systemwide delay of 5.9 minutes per operation, according to a recent Federal Aviation Administration (FAA) study of system delay. That study estimated the cost of 1980 delays at $1.4 billion. The average delay in 1980 represented about an eight percent increase over the average delay in 1976. Thus, there has been a gradual upward trend in delays, attributable in large measure to increasing congestion at a relatively small number of airports which are key connecting points in the national air transportation system.

It is impossible to estimate accurately what portion of FAA's expenditures should be attributed to reduction of delay, since reduction of delay is often a secondary benefit of improvements undertaken for other reasons. Improvements of facilities and equipment, increased operations and maintenance activity, and some research and development projects, all primarily intended to maintain the safety of the system under conditions of increasing use, also promote more efficient use of the system, with reduced delays as one of the consequences.

Senator Andrews: You said in your statement that by the end of 1983 you will gradually reduce the capacity restraints that were brought on as a result of the strike. What impact will this elimination of capacity restraints have on the airport and airway system delays?

Mr. Helms: The removal of the capacity restraints is expected to return systemwide delays to approximately the pre-strike level. Delays are expected to increase somewhat from that level for the remainder of the decade because of increasing congestion at key airports.

WASHINGTON AREA AIRPORTS

Senator Andrews: You have included $2.0 million in your budget request for the Dulles I-66 Connector Road. What efforts will FAA make to expedite its completion in FY 1983?

Mr. Wilding: In order to expedite the completion of this roadway, the overall project has been separated into three phases of work. The first phase contract was awarded in September of 1981 and will be completed in October of 1982. The second phase contract was awarded in February and the third phase in April of 1982. Both the second and third phase contracts require completion of the work by September of 1983 and all three contracts are reinforced by a contract clause which requires the contractor to pay a cash penalty of from $600 to $4,500 dollars for each day the completion of the work is delayed past the contract completion date. In addition, we continue to work closely with the Federal Highway Administration, the State of Virginia, Counties, private individuals and public utilities in order to eliminate or minimize delays as the work progresses.

NATIONAL AIRPORT POLICY

Senator Andrews: Last year you reported that the review of your National Airport Policy would be completed by July, 1981. Could you please summarize the findings of the report, the results

of any policy changes thus far, and the methods and mechanisms for evaluating the effectiveness of the new Policy.

Mr. Wilding: Implementation of the Metropolitan Washington Airports Policy was delayed in early 1981 pending a review by the Department of Transportation. A proposed revised Policy was published for public comment on July 13, 1981. The Policy, as revised, was announced on November 23, 1981, and is now in effect.

The Policy set a passenger ceiling of 16 million annual passengers on Washington National Airport (a million fewer than the previous proposal); reduced the slots for air carriers from 40 to 37 per hour and increased the slots for commuter air carriers to 11 per hour from 8; established regulatory restrictions on the hours of operation for noisier aircraft at National; prohibited the operation of widebody aircraft at National until their operation is determined to be safe and compatible with the airport's facilities; and modified the nonstop distance restrictions into and out of National. The Policy, which is designed to establish limits for National and promote the region's other airports, Dulles International and Baltimore/ Washington, will be evaluated by a Departmental task force. The task force will monitor the impacts on air service to and from Washington to determine whether the Policy is serving its stated purposes.

FSS MODERNIZATION

Senator Andrews: What is your total estimated cost of the Flight Service Station Modernization Program and how much have you obligated to date? Please include for the record your revised program schedule for implementation of this modernization activity.

Mr. Albrecht: The total estimated cost for the Flight Service Station Modernization Program is $464.9M ($425.1M in F&E and $39.8M in RE&D). As of this date, $136.1M has been obligated ($112.3M in F&E and $23.85M in RE&D). The revised program schedule for the major installation milestones is shown below. The only change in schedule has been a 3-month delay regarding the installation of Model 1 sites. Model 2 system implementation and initial enhancements remain on schedule.

- 1st Operational Model 1 site acceptance	2nd Qtr '83
- last Operational Model 1 site acceptance	2nd Qtr '84
- 1st Operational Model 2 site acceptance	3rd Qtr '84
- last Operational Model 2 site acceptance	1st Qtr '88
- Enhancements - Package 1	4th Qtr '84

AIR CARRIER SERVICES TO SMALL COMMUNITIES

Senator Andrews: What is your assessment of the impact that airline deregulation has had on the small communities in this country? Do you see any role for FAA in offering assistance to these smaller communities and the airlines that serve them?

Mr. Safeer: Although there is no precise way to measure the impact of deregulation on small communities, there are some statistics available that support the conclusion that no significant deterioration of service has occurred. While it is true that some small communities have lost jet service as the larger carriers have suspended service, this service has been replaced largely by commuter airlines offering a greater frequency of service with turboprop aircraft. Under the essential air service program, established by the Airline Deregulation Act of 1978 and administered by the Civil

Aeronautics Board (CAB), a certificated airline may not suspend service at those points receiving service on October 24, 1978, unless a replacement carrier has been selected by the CAB to provide a minimum number of seats and departures to specified hubs with aircraft having at least two pilots, two engines, and no over the wing loading.

In a recent study conducted by the CAB of the changes in flight departures over a three year period from June 1978 to June 1981, it was found that departures at the medium and large hubs increased 6.2 and 11.0 percent, respectively, whereas departures at the small and non-hubs decreased slightly. However, the study determined that flight departures from non-hubs to medium and large hubs increased 0.6 and 2.0 percent, respectively, whereas departures between non-hubs decreased 18 percent. These changes in departures seem to indicate a shift to a hub and spoke pattern of service by commuter airlines in place of a linear type service. Since a large percentage of passengers carried by commuter airlines connect with other airlines at the larger hubs, it appears that these passengers are especially benefiting from the change in the pattern of service. The CAB study also found that at the cities where certificated airlines had discontinued service, flight departures by commuter airlines had increased by an average of 2 percent.

Another way to measure activity at small communities is to compare passenger enplanements by commuter airlines which serve these communities with enplanements by the certificated carriers which generate most of their passengers at the large, medium and small hubs. As shown in the table below, passenger enplanements by the commuters increased 38.2 percent from 1978 to 1981, whereas passenger enplanements by the domestic certificated carriers were up only 7.2 percent in this period. Moreover, commuter passengers increased in every one of the three years, whereas certificated carrier passengers declined about 8 percent in the last two years.

PASSENGER ENPLANEMENTS
(Millions)

	Certificated Domestic Air Carriers 1/	Percent Increase (Decrease) 4/	Commuter Air Carriers 2/	Percent Increase (Decrease) 4/
1978	246.7	13.9%	11.0	20.0%
1979	287.1	16.4	14.0	27.3
1980	278.3	(3.1)	14.8	5.7
1981	264.5	(5.0)	15.2 3/	2.7

1/ FAA Aviation Forecasts, Fiscal Years 1982-1993, February 1982 (FAA-APO-82-2).

2/ 1981 Annual Report, Regional Airline Association.

3/ Estimated.

4/ Increases between 1978 and 1981 - Air Carrier +7.2%, Commuters +38.9%.

The FAA has an active role in offering assistance to small communities and commuter airlines. In our continuing effort to assist commuter airlines to operate more economically and improve their services to the public, the FAA has under active consideration a proposed amendment to the Federal Aviation Regulations (SFAR 41) affecting existing propeller-driven aircraft with 19 seats or less which would allow the airlines to increase passenger and baggage loads and to use shorter runways

for landing without reducing the level of safety. The adoption of this amendment would increase the number of communities that could be served with the 19-passenger commuter aircraft, one of the most popular types in the fleets of the commuter airlines, and would allow the airlines to fly longer stage lengths with full payloads. In addition, the lower unit costs made possible by the relaxed restrictions should allow the commuter airline to increase the number of small communities that can be served at a profit.

A second area of FAA assistance to smaller communities and commuters has been the Airports Grant Program, which helps to fund the needs of smaller airports. Proposed grants legislation would continue to help fund these smaller commuter type airports.

FSS BUILDINGS

Senator Andrews: What are some of the costs and benefits associated with the options of lease vs. construction of FSS buildings for your Modernization Program?

Mr. Van Vuren: The basic benefit of FAA ownership by constructing FSS buildings is an assurance of systemwide standardization of the automation system environment. This facilitates future system flexibility and expandability.

Leasing buildings has a major benefit of minimizing initial capital investment and initial annual budget impact of FSS quarters acquisition by spreading cash requirements over time. It is anticipated that initial year budget cash flows will be reduced by a total of $92 million in FY 82 through FY 86 or an average annual cash flow reduction of $18.4 million per year during these fiscal years.

The net result of leasing FSS buildings should realize substantial life-cycle cost savings, as well as reductions in initial cash requirements for space acquisition.

FLIGHT SERVICE AUTOMATION PROGRAM
CONSOLIDATION SAVINGS

Senator Andrews: Will we be seeing any significant cost savings as a result of the FSS consolidation plan?

Mr. Van Vuren: We estimate the savings to be $182M over a 10 year period.

FURLOUGH STATUS

Senator Andrews: Congress has been hearing quite a bit about FAA's furlough of employees. Please bring us up to date on the status of this activity.

Also, the committee has heard from numerous sources that you are furloughing now in order to save enough funds to RIF later. What is your response to this?

Mr. Helms: FAA's initial FY 1982 budget submission began in July 1980. Subsequently, the initial estimates were revised by the Office of the Secretary, the Office of Management and Budget, the House, the Senate, and the House/Senate Conferees. All of these review authorities made adjustments based upon their analyses and fiscal strategies and policies in effect at that time. Additionally, there were several important fiscal adjustments (decreases for savings

offset by increased costs) attributable to the air traffic controller strike of August 1981.

For example, as late as November 1981, the House/Senate Conferees in their November 13, 1981, Report No. 97-331 authorized $2,220,000,000 for Operations appropriation activities, but instructed the FAA to reserve $57.5 million to finance proposed increased pay legislation for controllers and other personnel. Later, in conjunction with the enactment of the DOT Appropriation Act for FY 1982 dated December 23, 1981, the Congress reduced the Operations appropriation by $125 million below the level recommended by the Conferees (see Title IV, Section 401) and made significant reductions in other appropriations as well.

The results of the above actions and our financial analyses led us to conclude that sufficient funds were not available in several appropriations, but particularly in the Operations appropriation, to operate the National Airspace System effectively. We immediately implemented severe funding constraints on all activities where any flexibility existed. In spite of these measures we found it necessary to plan for an employee furlough of up to twelve days to assure that obligations were contained within appropriated amounts and provisions of the Anti-deficiency Act were not violated.

Employees were alerted to our financial dilemma and on February 11, 1982, I issued a general notice of a proposed furlough of approximately 30,000 employees. Generally this included all employees except the following:

a. Air traffic controllers in centers and towers.

b. Supervisors in the GS-2152 series engaged in controlling air traffic or directly supervising those that do.

c. Personnel involved in the training of air traffic controllers at the Academy or developmentals at the Technical Center.

d. Employees in the GS-2152 series assigned to the central flow control facilities.

e. Employees financed from reimbursable accounts and those paid out of the Facilities and Equipment and Operation and Maintenance, Metropolitan Washington Airports accounts (these accounts were not in financial difficulties).

f. Regional Directors were authorized to make furlough exceptions in isolated cases.

Air traffic controllers were exempt from the furlough because of the recent loss of approximately 11,400 employees related to the illegal controllers strike. Further, to have included the controllers that did "remain on the job" in the furlough would have meant a substantial cost increase in overtime--when considerable overtime was already being worked--and this would have proved to be economically and operationally ill-advised.

Subsequently, as our cost saving actions began to take affect, we were able to reduce the planned 12 day furlough to a maximum of six. We are continuing to explore all options and we continue to take every possible action in an attempt to reduce the furlough below the planned six days and my desire is to eliminate it completely.

If we find it necessary to conduct a RIF in FY 1982, this action will have no relationship whatsoever to our planned furlough. Any RIF undertaken will be to adjust to staffing limitations or to realign skills.

SAFETY AT NATIONAL AIRPORT

Senator Andrews: Your fiscal year 1983 budget justification included $9.8 million for extending the runway safety area of Runway 18-36 at National Airport. Is this extension the result of any safety review?

Mr. Wilding. The project to improve the runway safety areas of Runway 18-36 at National Airport was begun in 1978 as a result of two earlier incidents where aircraft had overrun the main runway at National. While there were no personal injuries and there was only minimal damage to the two aircraft as a result of these incidents, the FAA, as proprietor of National Airport, determined that the runway safety areas at both ends of Runway 18-36 should be upgraded to provide a greater margin for recovery in the event of runway overrun or undershoot incidents. An environmental impact study of the proposed project has been completed and the design of the project is funded and scheduled to be completed in September of 1982. The $9.8 million requested would fund the construction of the project and the work could begin in late 1982.

NTSB RECOMMENDATIONS

Senator Andrews: The National Transportation Safety Board issued a set of recommendations as a result of its investigation of the Air Florida crash, indicating the need for immediate corrective action in the area of cold-weather operations procedures. Has FAA implemented these recommendations?

Mr. Helms: The FAA took immediate action on all (10) NTSB safety recommendations resulting from the Board's investigation of the Air Florida crash as follows:

- Telegraphic messages, containing verbatim contents of the safety recommendation letter were sent to all FAA facilities; U.S. air carriers; U.S. owners, operators, aircraft and engine manufacturers; foreign authorities of known airplane registration; and other interested groups.

- A telephone conference call was held between FAA headquarters staff and regional flight standards division personnel directing them to contact all air carriers to review each carrier's cold weather operational procedures, training programs, and operations manuals.

- Air Carrier Operations Bulletin 7-82-2, Cold Weather Procedures, was published and transmitted on March 11, 1982.

- FAA accelerated its aircraft icing R&D efforts.

- o Northwest Mountain Region is developing a new advisory circular that will discuss the hazards of inlet icing, pressure probe icing, and blockage.

- o Flight Manuals will be revised after the advisory circular is completed, if changes are deemed essential for flight safety.

Senator Andrews: The Safety Board also issued recommendations last December regarding air traffic controller use of the NASA Aviation Safety Reporting System. What progress have you made in implementing these recommendations?

Mr. Helms: The FAA periodically reemphasizes to controllers the availability of NASA's Aviation Safety Reporting System (ASRS) to report hazardous conditions.

We have:

o Instituted a procedure whereby the ASRS monthly newsletter is being mailed to all air traffic control facilities, in addition to the ASRS quarterely report.

o The Airman's Information Manual, Basis Flight Information and ATC Procedures, is being updated to reflect the latest status of the program and availability of reporting forms.

SAFETY PROGRAMS PROGRESS

Senator Andrews: At a hearing last month, the Chairman of the Safety Board testified that FAA was making slow progress with some safety programs such as crashworthiness and flammable cabin materials. Please comment briefly on your efforts in these areas.

Mr. Albrecht: We have confirmed to the congressional committees concerned, including this sub-committee that we are proceeding with the key elements of the Aircraft Safety Program in accordance with the schedules we provided last year. We are progressing as rapidly as technology will permit us.

ADMINISTRATIVE COMPUTER PROCUREMENT

Senator Andrews: FAA is planning to procure administrative computers for the regions and Aeronautical Center in Oklahoma City. I understand the life cycle cost for these computers is estimated at about $18 million. What is the current status of the procurement effort?

Mr. Weithoner: The contract for regional computers, resulting from a competitive procurement, was awarded April 5, 1982 for Data General computers. First delivery is expected in June 1982. The contract for the Aeronautical Center computers is expected to be awarded in August 1982.

Senator Andrews: I understand that you currently handle administrative work for the Department of Transportation on your computer in Oklahoma City. It seems to me that between the FAA computers and the Department's Transportation Computer Center there is a lot of computer capacity available. Did you do any kind of study to identify all the available capacity within the Department and then line that up with any workload projections in order to ensure proper system sizing?

Mr. Weithoner: Numerous studies and meetings during the past few years including in-house, GSA and consultants recognized the

lack of capacity in the Transportation Computer Center (Washington) and the FAA Aeronautical Center (Oklahoma City). As a result, new computers were recently installed at the Transportation Computer Center and extra capacity is available. In the process of planning for replacement of the Aeronautical Center computers, the potential for using this available capacity was investigated with Department officials. The conclusion of this investigation was that processing needs could be met in the most cost-effective manner thru replacement of the AAC computers.

Senator Andrews: Have you considered shifting the Department's workload back to the Transportation Computer Center as an alternative to buying new computers with greater capacity?

Mr. Weithoner: Many alternatives have been considered in satisfying Department needs at the least possible cost. The problem with consolidation is the need to transmit data to and from the consolidated computer centers. At current telephone tariffs, the cost of such data communication is greater than the cost of computer processing. Therefore, the alternatives that offer the least overall cost involve processing the bulk of data with small regional computers (which would still be required if only data transmission was carried out in the regional office) in lieu of transmitting the data to and from the Transportation Computer Center or another highly centralized ADP facility.

Senator Andrews: How much money is being requested for these computers in Fiscal 1983 for procurement and associated costs such as maintenance and conversion?

Mr. Weithoner: Fiscal 1983 total costs for the regional computer replacement are $7.5 million ($6.4 million for rental and maintenance and $1.1 million for associated costs including installation and conversion). Fiscal 1983 total costs for the Aeronautical Center's replacement computers is $1.7 million.

MILITARY CONTROLLERS

Senator Andrews: Your statement mentions that 800 former military controllers with prior experience were hired and assigned directly to facilities. Am I correct in assuming that these controllers did not have to go through training at your facility in Oklahoma City? Do these people have special qualification and training requirements? Can we save some training costs by hiring more ex-military controllers? You also have several controllers currently in the military who are on loan to FAA from the Department of Defense. How long do you expect to continue this loan program? You are requesting a $48 million supplemental appropriation for fiscal 1982 for reimbursement to DOD for use of the military controllers. How much has this loan program cost altogether? How does this compare to what the costs would have been if the strike hadn't occurred?

Mr. Van Vuren: Correct, these military controllers were not required to go to the FAA Academy at Oklahoma City. Yes, these people have all graduated from a military air traffic controller school, whose requirements are equivalent to the FAA Academy requirements. In addition, these personnel have had military air traffic control experience which far exceeds the GS-7 initial hiring qualifications. There is a savings realized anytime a person does not have to attend the Academy.

We plan to request from the military the retention of a limited number of military controllers through June 1983. The military loan program has cost $7,500,000 in FY 1981 plus the $48,000,000 supplemental request in FY 1982. If the strike

had not occurred, there would not have been a military controller loan program, therefore, the comparable cost is zero. The total cost of the recovery, including military controllers, is substantially less than the normal operating cost had the strike not occurred.

STRIKE RECOVERY TRAINING COSTS

Senator Andrews: When more than 11,000 controllers were fired last year, the government lost a significant investment in training. What have been the additional training costs incurred by the FAA beyond what would be considered necessary had the controllers not been fired?

Mr. Weithoner: It is true, we did lose a significant investment with the loss of trained controllers. We are also incurring additional cost to train replacement controllers. This cost, however, is more than offset by the savings of having fewer controllers on the payroll. Over the two year (FY 1982/1983) strike recovery period we expect to spend $90 million training replacements for the fired controllers. The net savings during this same period (after considering salaries of new hires) is $235 million, a $145 million decrease. The strike recovery training estimates include travel and per diem expenses of significantly more recruits being trained at the FAA Academy in Oklahoma City as well as the hiring and training of a number of former controllers who will serve as contract instructors in supplementing our own teaching staffs at both the FAA Academy and in our field facilities for post-Academy follow-on developmental training.

ATC STAFFING STANDARDS

Senator Andrews: In order to develop your budget request for staffing air traffic control facilities, I understand you use a staffing standards system. Since the controllers' strike, FAA has been operating with several thousand fewer controllers. You have estimated that approximately 8,500 new controllers will be needed to bring air traffic staffing to a level capable of handling pre-strike traffic demands. Based on your experience in bringing the air traffic control system back up to capacity, would you say that the current controller staffing standard is realistic?

Mr. Van Vuren: Because of the strike and the related changes, it was necessary to estimate interim staffing levels without the use of the staffing standards process. We feel that these interim staffing levels are reasonable. Further, we are in the process of developing new staffing standards. These standards to be fully applicable to the FY-85 budget.

Senator Andrews: You have requested an additional 1,899 air traffic controller positions for fiscal 1983. Would a revised standard result in a reduction in the number of controller positions requested by FAA in its budget estimates?

Mr. Van Vuren: We are in the process of developing new staffing standards for air traffic control positions. The process is not yet complete and we cannot readily say whether the final standard will result in increased or decreased staffing requirements.

THE JONES REPORT

Senator Andrews: In the report, there were thirteen recommendations directed at preventing what appear to be the same people-oriented problems in the future. You mention in your statement that you intend to use the report as a tool for restructuring the environment at FAA. I realize you just received this report in mid-March. However, have you begun to take specific action on any of the recommendations in the report? Are these commitments reflected in your budget?

Mr. Helms: At present, no specific action has been taken on any of the thirteen recommendations contained in the Jones Report nor does the budget reflect implementation of any of these recommendations. My initial action upon receiving the report was to distribute it and solicit employee reactions and suggestions from all levels of the agency. In late April, I convened a conference on this subject with FAA Regional and Center Directors at which recommendations were sought on what actions the FAA should take in response to the report's findings. I am presently developing a plan that will set forth agency policy regarding management and employee relationships within the FAA. This plan, which I will present in June, will not be limited to the air traffic and airway facilities segments of the FAA, but will apply to the agency as a whole.

(Clerk's Note.—The following letters were brought to the attention of the subcommittee providing support for the funding of an ILS at the Devils Lake Airport.)

March 9, 1982

The Honorable Mark Andrews
United States Senator
417 Russell Office Building
Washington, D.C. 20510

Dear ~~Senator Andrews~~ Mark,

I am writing to advise you of my support for the Devils Lake Municipal Airport Authority's efforts to secure an Instrument Landing System (ILS) for the Devils Lake Airport.

The State of North Dakota has an interest in adequate air carrier facilities for both economic and safety reasons. An ILS system at Devils Lake would ensure that this facility could be used to the maximum extent possible, whereas now, as you are aware, there are frequent interruptions due to inclement weather.

If we are to work towards keeping adequate air service to communities such as Devils Lake viable we must make every effort to see that there is a facility whose use is not as subject to the whims of nature as the present one is.

Thank you for the support you have given this matter.

Kindest regards.

Sincerely,

ALLEN I. OLSON
Governor

Feb. 17, 1982

Senator Mark Andrews
417 Russell Office Bldg.
Washington, D.C. 20510

Dear Senator Andrews:

In reply to your letter of February 3, 1982 I hereby enclose letters from interested persons showing the need for Instrument Landing System in Devils Lake and ask that this evidence be placed in the record.

We of this area appreciate your efforts to secure increased subsidies for Big Sky Airlines for Devils Lake and Jamestown.

The Bismarck Tribune had and article criticizing subsidies for Airlines and as usual the news media blow their horn on items they are not knowledgable on. Harold Vavra is answering their article and has evidence to show that subsidies now requested for commutor airlines is less than half the amount that was formerly paid in subsidies to Republic and Frontier Airlines, which subsidy has now been discontinued. He is sending you a copy of the letter.

The work you are doing for us is very much appreciated.

Sincerely,

Lawrence Knoke
Airport Mgr.

February 12, 1982

Honorable Mark Andrews
U.S. Senate Building
Washington, D.C. 20510

Dear Senator Andrews:

The Devils Lake Public School Board of Education recognizes the need for an Instrument Landing System for the Devils Lake Airport.

As you know, the weather in North Dakota can be quite unpredictable. We feel that with an Instrument Landing System at the airport, air service to our city would continue without any interruptions in day to day flight schedules. A sudden blizzard could interfere in that service.

The Board of Education is in full support of the Devils Lake Municipal Airport securing an ILS. We would appreciate any assistance you may give this endeavor.

Sincerely,

Dr. Richard Kunkel
Clerk
Devils Lake Board of Education

15-453 O - 83 - 36

February 11, 1982

Senator Mark Andrews
417 Russell Office Bldg.
Washington, D.C. 20510

Dear Senator Andrews:

I am writing to ask your support in securing an Instrument Landing System for the Devils Lake Municipal Airport. This system is geniunely needed if the Devils Lake Airport is to provide the type of service that this region deserves.

My personal experience with private and charter air service tells me that ILS would be an important contribution to the continued development of our community and the entire region. As often as not, the unpredictable North Dakota weather hampers our ability to travel when and where it is necessary to do so.

The many public entities located in or near Devils Lake depend heavily on quality air service, for example, the public schools, the North Dakota School for the deaf, the North Dakota National Guard, and Lake Region Community College would all be benefitted by an ILS system. It is equally obvious that the growing industrial sectors of the Lake Region could benefit from such service.

We will appreciate your support and will stand ready to provide you with further information should the need arise.

Sincerely,

Dennis Michaelis
President

February 10, 1982

Senator Mark Andrews
417 Russell Office Bldg.
Washington, DC 20510

Dear Senator Andrews:

The Devils Lake Municipal Airport is very much in need of an instrument landing system, and with you as chairman of the appropriations committee we are asking for your help with this matter.

As president of the Board of Education for the school system plus the Lake Region Community College, much of our travel is by air and we most certainly need an instrument landing system at our municipal airport.

I am also the area manager for the North Dakota Telephone Company and with our division offices in Minneapolis, our region offices and training center in St. Louis, we do have many persons traveling by air in and out of Devils Lake. We would appreciate any

assistance you can give us in providing this additional safety factor for the Devils Lake area.

Yours truly,
NORTH DAKOTA TELEPHONE COMPANY

Ronald R. Hagen,
Customer Service Manager

February 11, 1982

Senator Mark Andrews
417 Russell Office Building
Washington, D.C. 20510.

Dear Senator Andrews:-

In behalf of the medical staff of the Lake Region Clinic and the patients we serve, we feel very strongly in the need of an instrument landing system at the Devils Lake Municipal Airport.

In past years there has been a number of occasions where patients were inconvenienced because neither commercial or air-ambulance planes were unable to provide service because of inclimate weather. The closest airport facility providing this services is over 80 miles away, which is a considerable distance when time becomes a critical factor in ones health.

It is without a doubt, that innumerable people in our community have been inconvenienced because of planes not able to land at the local airport because of poor weather conditions.

Your support and efforts in securing a instrument landing system for the Devils Lake Municipal Airport will be greatly appreciated.

Sincerely,

E. V. Gilbertson MD
E. V. Gilbertson, M.D.

February 11, 1982

Lawrence Knoke
Airport Manager
Devils Lake Municipal Airport Authority
P.O. Box 753
Devils Lake, North Dakota 58301

Dear Mr. Knoke,

The Administration of Mercy Hospital, Devils Lake, is very much supportive of your acquiring an Instrument Landing System.

The freight service, as well as passenger service, are of extreme importance to the quality health care we provide people of this area.

Very often supplies, human blood and equipment, which air freight supplies, are needed. When weather conditions exist that preclude landing in Devils Lake, these very badly needed items end up somewhere else. These items often are life saving in nature.

We strongly urge you to seek funding for an Instrument Landing System.

Sincerely,

Sr. Mary Patrick Conlin

Sister Mary Patrick Conlin, R.S.M.
President

January 22, 1982

Senator Mark Andrews
417 Russell Office Building
Washington, D.C. 20510

Dear Mark,

Thank you for your appearance in Devils Lake a few weeks ago. It really gave Disrtict Fifteen a shot in the arm to have you here.

Senator, one of the problems we have with our local air service is the number of scheduled carrier flights that are unable to land because of the weather conditions. We lack the necessary equipment for instrument landings.

I am sure that our airport manager, Mr. Lawrence Knoke, has been in contact with you. I don't know if the F.A.A. has the necessary funding to install an instrument landing service at the Devils Lake Airport.

In any event, I would appreciate an inquiry from your office to the F.A.A.

We do have a significant number of personnel coming to and leaving from Camp Grafton by commercial air carrier. It is a real inconvenience having the planes come to Devils Lake and not being able to land because we don't have the instrument landing service.

Thank you for your consideration. We appreciate the great job you are doing.

Sincerely yours,

Dean Hildebrand

February 16, 1982

Senator Mark Andrews
417 Russell Office Bldg.
Washington, D.C. 20510

Dear Senator Andrews:

We support Lawrence Knoke, Devils Lake Municipal Airport Manager, in his efforts to obtain funding to secure an Instrument Landing System for the Devils Lake Airport.

At the present time, planes occasionally cannot land during inclement weather because of poor visibility.

It is of utmost importance that every effort is made to provide consistent, reliable service so that people can meet schedules and appointments as planned without delays.

Your assistance and support in helping to secure an Instrument Landing System for the Devils Lake Airport will be greatly appreciated.

BOARD OF RAMSEY COUNTY COMMISSIONERS

Lloyd Stromme

Lloyd Stromme
Ramsey County Commissioner

February 10, 1982

Senator Mark Andrews
417 Russel Office Building
Washington DC 20510

Dear Senator Andrews:

We are writing to you in support of the concerns and needs of the Devils Lake Municipal Airport Authority.

It is our understanding that the Authority is very much in need of an Instrument Landing System (ILS). According to the Airport Manager, Lawrence Knoke, a four-hundred foot (400') ceiling and a one mile lateral visability is needed for planes to land at the Devils Lake airport. Due to inclement weather conditions such as fog and blizzards, commercial airlines are occasionally forced to fly over Devils Lake and thus strand people in Devils Lake or force missed appointments in Devils Lake.

You, as Chairman of the Senate Subcommittee on Transportation, could be extremely helpful in assisting the Authority's needs and desires to develop a modern airport that meets the needs of residents of North Central North Dakota.

Sincerely,

J. H. Mahoney, President
Devils Lake City Commission

February 15, 1982

Mr. Lawrence Knoke
Airport Manager
Devils Lake Municipal Airport
P.O. Box 753
Devils Lake, ND 58301

Dear Lawrence:

This letter is to confirm our strong support for the possible installation of a Instrument Landing System (ILS) at Devels Lake Airport.

As you know, an ILS at Devils Lake will greatly increase the number of flights (both Commercial and General Aviation) that could land at Devils Lake, if an ILS was available.

In addition and most importantly, an ILS will provide a more accurate and safer approach into Devils Lake.

If I can be of any further assistance, please don't hesitate to contact me.

Sincerely

Craig Denney
Director of Facilities
Big Sky Airlines

February 16, 1982

U.S. SENATOR MARK ANDREWS
417 Russell Office Building
Washington, D.C. 20510

Dear Senator Andrews:

This letter is in support of the Devils Lake Municipal Airport's request for an instrument landing system at Devils Lake.

The Office of the Director of Institutions, for economic reasons, frequently charters private aircraft to Devils Lake. Because of North Dakota's variable weather conditions, very frequently we are not able to land in Devils Lake.

In addition to the needs of our office, numerous school districts in North Dakota, because of Public Law 94-142, also use charter aircraft to bring students from Devils Lake and Grand Forks home for vacation. What the school districts generally do is charter from Grand Forks with a pick up in Devils Lake. If they cannot pick up the students in Devils Lake this puts a tremendous hardship and burden on the students and their families.

Thank you for your help regarding this matter.

Sincerely,

ALTON L. LICK
Director of Institutions

Questions Submitted by Senator Lawton Chiles

AIRPORT SURVEILLANCE RADAR (ASR) FOR THE GAINESVILLE REGIONAL AIRPORT

Question: The several fatalities associated with airplane crashes on approach to the Gainesville Regional Airport have resulted in considerable interest in the establishment of an airport surveillance radar at the Gainesville Airport. The Atlanta Regional Office in fact requested FY 1982 funding for this project which was subsequently denied by FAA Headquarters. The Committee last year directed the FAA to continue to monitor the situation at the Gainesville Airport closely and to recommend funding for an ASR system as soon as Gainesville or some combination of surrounding airports meet the establishment criteria. Is traffic continuing to increase at the airport? Based on current projections, when will FAA propose an ASR system for Gainesville?

Answer: No, air traffic activity has decreased since FY 1980. A portion of the recent decrease may have been attributable to the strike.

It is difficult to predict when a location not meeting establishment criteria and experiencing a decline in traffic will become a candidate for an ASR installation. We do not foresee this location meeting establishment criteria for at least 3 to 5 years.

SOUTHWEST FLORIDA REGIONAL AIRPORT

Question: The Southwest Florida Regional Airport is scheduled to open later this year, and will be the first major airport constructed in the United States in the last decade. Last year the Committee directed the FAA to give priority to installing the tower and air navigation facilities required for the airport and to take all necessary steps to insure to they are in place at the airport for its scheduled opening. Please provide the Committee with a status report on all progress made to comply with Committee's direction.

Answer: The FAA is planning to commission the instrument landing system and the approach lighting system serving runway 6, and the visual approach slope indicator serving runway 26 in November of this year.

The control tower is now under construction. The construction contract was awarded January 19, 1982, the building occupancy date is currently scheduled for October, 1982, and commissioning is scheduled for February, 1983.

STATUS OF NATIONAL AIRSPACE REVIEW

Question: Last year the Committee urged that FAA give the states the opportunity to review comment and provide input on the National Airspace Review study before it was finalized. What steps were taken to comply with this request?

Answer: While the proposed plan was being drafted a meeting was held with Mr. D. Blackshear, President, National Association of State Aviation Officials (NASAO), and Mr. J. Mason, Executive Vice President, NASAO, concerning the National Airspace Review (NAR) and NASAO participation.

On May 27-28, 1981 an informal meeting was held between FAA and NASAO to discuss the NAR concept.

The NASAO has been included in the National Airspace Review Committee at the task group level.

On April 19, 1982 the National Airspace Review plan was signed. NASAO has been asked to participate as a member on four task groups.

GRANTS-IN-AID FOR AIRPORTS

Question: When will these funds be made available to the various airports in FY 1982. Do you expect a repeat of last year with reauthorization of the program occurring in the last months of the fiscal year?

Answer: Fund availability will depend on timing of authorizing legislation. Since we are now in the third quarter of

the fiscal year without legislation, we are planning for the possibility of a repeat of last year's situation where legislation was approved very late in the year.

GRANTS-IN-AID FOR FLORIDA AIRPORTS

Question: The committee has heard from several airports in Florida, particularly Fort Lauderdale International Airport regarding the need for ADAP funding for an expansion project now underway at that location. Please provide for the record a list of Florida airports that have pending ADAP proposals, along with the dollar amounts for each one.

Answer: Following is a list of requests on file for Florida:

Location Airport	Major Items of Work	Federal Funds Requested	Total Project Cost
AIR CARRIER			
Daytona Beach Daytona Beach Regional	Land	$ 762,880	$ 847,644
Daytona Beach Daytona Beach Regional	Widen road	452,102	502,336
Ft. Lauderdale Ft. Lauderdale/ Hollywood Int'l.	Lands	49,130,065	65,506,753
Ft. Myers S.W. Florida Regional	Continuation of construction of airport	17,157,000	21,020,000
Melbourne Melbourne Reg.	Construct parallel taxiway	239,678	266,309
Miami Miami Int'l.	Land	2,864,218	3,818,957
Orlando Orlando Int'l.	Roads; construct crash/fire/rescue facility	5,357,816	7,143,755
Orlando Orlando Int'l.	Expand east side runway system	22,474,876	29,966,500
Panama City Panama City/ Bay County	Construct apron and taxiways	579,055	643,394
Tampa Tampa Int'l.	Construct apron and portion of taxiway	225,743	300,991
TOTAL AIR CARRIER		$ 99,243,433	$130,016,639

Location Airport	Major Items of Work	Federal Funds Requested	Total Project Cost
COMMUTER			
Punta Gorda Charlotte County	Overlay runway and parallel taxiway	$ 660,553	$ 733,948
Vero Beach Vero Beach Municipal	Construct taxiway	723,753	804,167
TOTAL COMMUTER		$ 1,384,306	$ 1,538,115
RELIEVER			
Ft. Lauderdale Ft. Lauderdale Executive	Land; apron; taxiway lighting	$ 1,534,827	$ 1,705,363
Palm Beach Palm Beach County Park	Strengthen apron; roads; lighting	809,635	899,594
TOTAL RELIEVER		$ 2,344,462	$ 2,604,957
GENERAL AVIATION			
Bartow Bartow Municipal	Road	$ 263,430	$ 292,700
Coco Merritt Island	Ramp; taxiways	270,000	300,000
Crestview Bob Sikes	Apron; taxiway lighting	387,000	430,000
Clewiston Airglades	Runway overlay; apron; fencing	352,116	391,240
Delaney Delaney Municipal	Lighting; crash/ fire/rescue building	435,990	484,433
Destin Destin/Ft. Walton Beach	Apron	585,000	650,000
Fernandino Beach Fernandino Beach Municipal	Overlay apron; taxiway	$ 422,438	$ 469,376
	Construct apron; taxiway overlay	165,512	183,902
	Lighting	197,530	219,478
LaBelle LaBelle Mun.	Apron; taxiway; lighting	$ 254,357	$ 282,619
Lake City Lake City Municipal		615,076	683,418
Lakeland Lakeland Mun.		45,608	50,676

Location Airport	Major Items of Work	Federal Funds Requested	Total Project Cost
Leesburg Leesburg Mun.	Apron; taxiway	293,095	325,661
Marianna Marianna Mun.	Fencing	191,808	213,120
Ocala Ocala Mun.	Expand range fencing	451,053	501,171
Ormond Beach Ormond Beach Municipal	Expand apron; relocate lighting and fencing; resurface runway; VASI-2	585,000	650,000
Williston Williston Municipal	Apron area; taxiways; roads	246,507	304,327
TOTAL GENERAL AVIATION		$ 5,761,520	$ 6,432,121
TOTAL-FLORIDA		$108,733,721	$140,591,832

GRANTS-IN-AID FOR FORT LAUDERDALE AIRPORT

Question: Please provide the committee with an indication of the prospects for ADAP funding for the Fort Lauderdale International Airport.

Answer: Fort Lauderdale-Hollywood International Airport is assured funding of its entitlements (approximately $1.6 million under the Administration's proposal), if legislation is authorized. Any additional discretionary assistance that may be offered will depend on still to be approved funding levels.

GRANTS-IN-AID FOR AIRPORTS

Question: I understand that 2/3 of the ADAP funding is provided by formula based on airport traffic and 1/3 is provided under a discretionary program. In the past, Congressional committees have earmarked specific projects. Is there a backlog of unfunded Congressionally earmarked projects or is the next funding increment for the discretionary programs fully available? What is the value of requests nationwide for the discretionary?

Answer: Congressional committees have identified 20 projects for priority consideration for funding in FY 1982. In addition, there is a possibility that the new authorizing legislation might allow funding in 1982 of entitlements that were approved for FY 1981 but which were not used by sponsors. These unused entitlements total $26.2 million and would have to be funded out of current (FY 1982) year discretionary money. The Congressionally identified projects and the unused entitlements would reduce the amount of discretionary available for total requests, which amount to $1.4 billion. To satisfy all of these requests in a single year (this is unlikely since all may not be environmentally cleared and some may be very low priority) when entitlements under the Administration's proposal total $305.7 million annually, we would have to make up the $1.1 billion difference with discretionary money.

The Jones Report

Question: After the PATCO Strike on August 3, 1981, Secretary Lewis and Administrator Helms appointed a task force to investigate management and employee relationships within the FAA. This study, completed on March 17, 1982, makes the disturbing finding that most factors that had caused problems in the past are reasserting themselves and that the FAA seems headed toward more people problems in the future.

The two major factors that appear to cause the problems are poor people management and great swings in the workload alternating between periods of great intensity and periods of boredom.

What is the FAA reaction to the findings of the Jones Report?

Mr. Helms: I was not surprised by the findings of the Report and don't take exception to them in any way. I am convinced that the report documents and quantifies problems which have existed in the FAA for some time. These problems became evident to me soon after I joined the FAA and I have been very concerned about them. The report indicates that morale in the FAA is very low. In considering that finding, it should be taken into account that other factors such as the cutback in the role of the Federal government with associated cutbacks in staffing, proposed furloughs, and reductions in Federal employee benefits may also be contributing to low morale in the FAA and other Federal agencies as well.

STAFFING STANDARDS FOR AIR TRAFFIC CONTROLLERS

Question: FAA uses an air traffic controller staffing standards system to develop and support its budget requests for the staffing required to operate air traffic control field facilites. The FAA Administrator has indicated that before the PATCO strike last August, FAA had too many people, and in fact, the air traffic control system had been operating with several thousand more controllers than were necessary.

In view of FAA's experience since the controller strike, is the current controller staffing standard realistic? If not, should it be updated to more accurately reflect the need for controllers? Would a revised standard result in a reduction in the number of controller positions requested by FAA in its budget estimates?

Answer: We are in the process of developing a manpower utilization and control system which will include new staffing standards, a review of actual manpower utilization practices, guidelines for good manpower utilization practices, facility performance indicators, and most importantly feedback to assure we do not let ourselves get in an overstaffed posture again.

We plan to have good baseline interim staffing values by July. These values will result in significant staffing reductions when compared to the current standards. After July, we will continue to refine the manpower utilization and control system and adjust the staffing requirements up or down accordingly. These adjustments are anticipated to be less than our baseline adjustments in July.

At this time, we cannot say whether the new system will result in staffing increases or decreases when compared to the budget estimates. However, we do anticipate that the new standards will be closer to the requested estimates than to the high number generated by the current standards.

IMPLEMENTATION OF THE NATIONAL AIRPORT POLICY

Question: One of the provisions of the National Airport Policy that went into effect last December was the requirement for stricter daytime noise standards to go into effect October 1, 1986. Shortly after the Policy was implemented, the commitment to these more strict noise standards was dropped. What is the status now for the future implementation of stricter noise standards?

Answer: The Metropolitan Washington Airport Policy that recently went into effect imposed a nighttime noise level limitation of all aircraft operating at National Airport. The Policy, as proposed, had contained strict daytime noise level provisions. They, however, were not included in the final regulations. Instead, a DOT task force will further review the impact of that daytime noise proposal and examine, in particular, the availability of sufficient numbers of complying aircraft and the consequences on air service. This additional analysis is needed before such a rule can be adopted.

SAFETY AT NATIONAL AIRPORT

Question: There is $9.8 million included in the fiscal year 1983 budget to add 550-feet to the existing 200 foot overrun area at the North end of runway 18-36. This runway overrun area should help improve safety at the airport to some extent. What other efforts are underway to improve airport safety?

Answer: We are actively pursuing several safety programs. We are well along in a program to replace our older crash, fire rescue vehicles at both National and Dulles airports with new technology equipment, and our water rescue capability has been upgraded by the addition of a fourth boat. We are also involved in intensified planning with other jurisdictions with water rescue capability.

USER FEE TAXES VS. NEW REQUIREMENTS

Question: The Administration has proposed changing its March 1981 aviation user fees resulting in lower taxes on jet fuel and aviation fuel. While the new taxes have been reduced, they still will raise an additional $1.2 billion a year by 1983 with the Trust Fund surplus still being almost $3 billion at the end of 1983. The Administration has proposed changing the cost recovery formula for the Federal Aviation Administration (FAA) programs for 40% to 85% and this will result in an additional drain on the Trust Fund of $1.5 billion a year. Additionally, the Administration proposes financing the National Airspace System Plan improvement with the additional revenues raised by the user taxes.

Will the new user fee proposals be adequate to finance both the system improvements and the change in recovery formula?

Answer: Over the three year period of FY-1983 through FY-1985, the Administration's aviation user tax proposals will generate revenues of $9.1 billion. Combined with interest of $1.3 billion earned from investment of the Trust Fund's uncommitted balance, sufficient revenues will be available to finance that portion of our proposed system development plan and its associated operating costs that is allocated to system users. Trust Fund expenses over this same period will be approximately $11.4 billion.

As indicated by the above statements regarding revenue and expenditure flows, our proposed user taxes are also designed to reduce the Trust Fund's $2.17 billion uncommitted balance, anticipated at the end of the current fiscal year (without the proposed $1 billion Operations supplemental appropriation in FY-1982), to approximately $1.2 billion by the end of FY-1985.

Question: For each year 1983 through 1990, please show the following:

A. Amounts raised by new user fees;
B. Amount required to finance the National Airspace System Plan;
C. Amount required to pay the additional 45% of the Federal Aviation Administration (FAA) programs that are proposed to be financed from the Trust Fund.

Answer: Estimates for items requested above are set forth below for fiscal years 1983 through 1985 along with aggregate estimates for the five year period FY-1983 through 1987. Individual annual program amounts beyond FY-1987 have not yet been costed out. However, additional aggregate estimates regarding National Airspace System requirements through FY-1990 are contained in our published plan.

Aviation Cost & Recovery Estimates - FY-1983/1987
($millions)

	1983	1984	1985	FY-1983/1987
User Fees				
Passenger Ticket	2332.0	2645.5	2996.2	15077.7
Freight Waybill	114.5	130.1	147.4	750.5
GA Fuel	131.0	156.7	189.2	952.0
Int'l Departure	82.4	86.8	92.2	463.4
Tire & Tube	1.1	1.1	1.1	3.3
Total	2661.0	3020.2	3426.1	17246.9
Trust Fund Program Amounts				
Airport Grants	450.0	450.0	450.0	2250.0
Facilities & Equipment	725.0	1393 0	1407.0	6066.0
Research & Development	134.0	286.0	269.0	1097.0
Operations	2015.0	1917.0	1959.0	9997.0
Total Proposed Trust Fund Expenditures				
85% Budget Recovery	3324.0	4046.0	4085.0	19410.0
40% Recovery	1561.6	1904.0	1922.4	9131.6
Additional 45% Recovery	1762.4	2142.0	2162.6	10278.4

NATIONAL AIRSPACE SYSTEM PLAN

Question: How much will the plan cost to implement including the necessary Research, Engineering and Development costs?

Answer: The Plan has been priced out for fiscal years 1983 through 1987. The cost of all Facilities and Equipment and Research, Engineering and Development activities for this period is estimated at $7.16 billion.

Question: Can this be accomplished by 1990? If not, by when?

Answer: Most of the equipment and facilities funded between 1983 and 1987 will be in place and operating by 1990. However, a few of the more complex items funded in 1986 and 1987 will not be operational until the early 1990's. Five full years are required to cover the procurement process, the setting up of a production line, the manufacture of highly sophisticated electronics equipment, the delivery and installation of the equipment and checkout of the facility.

BUDGET TRENDS

Question: The FAA has requested a $516.5 million or a 20.9% increase excluding another $323.5 million of budget authority requests for later transmittal. Including these items the FAA budget would increase $840.9 million or by 34%.

Is this level of increase consistent with the Administration's theme of fiscal restraint?

Answer: The Administration supports the increased funding request for development and procurement of facilities and equipment in order to modernize and expand the FAA capital plant to meet projected aviation growth. Along with increases in other operational costs, this request should allow the FAA to have the air traffic control system operating at the capacity provided prior to the illegal controller strike.

Question: When will the items scheduled for later transmittal be submitted to the Congress?

Answer: After enactment of the President's proposed FAA authorization and aviation user fee levels, an amendment will be requested.

PATCO STRIKE

Question: The Committee continues to be contacted by representatives from PATCO who urge some form of amnesty to permit the PATCO workers to return to Government service. What is the FAA position and the position of the Administration with regard to some form of amnesty for fired PATCO workers?

Answer: The controllers who struck against the United States beginning on August 3, 1991, were warned repeatedly of the legal and administrative consequences of a strike. On May 26, 1981, we instructed all tower and center first-line supervisors to advise all of their employees of the consequences of a strike. On May 29 we sent a personal letter to each controller's home urging them not to strike. By letter of July 28, 55 Senators urged them not to strike and a similar letter from 17 Representatives was sent on July 29.

On August 3 President Reagan warned that they would be terminated if they did not return to work in 48 hours.

We are opposed to any amnesty. We owe it to the people who were loyal to their Government during its time of need to provide a safe and cooperative work environment for them. The Roper Organization Survey conducted for the Subcommittee on Investigations and Oversight of the House Committee on Public Works and Transportation makes it clear that a substantial majority of our working controllers are opposed to any rehiring.

The law is clear on the penalty for striking and the safety of the system would be compromised if we allowed these people to return to work to harass and intimidate our present controllers and to manipulate the system for their own objectives.

FLIGHT SERVICE STATION CONSOLIDATION IN FLORIDA

Question: Mr. Helms, as you know, in Senate Report 92-253 the Committee directed that no permanent closure of flight service stations be undertaken without prior approval of the Appropriations Committees. The Committee generally supports the modernization program that will permit the 319 flight service stations to be reduced to 61. We do not, however, support consolidations and closings that are made in advance of these modernization efforts that will permit the same level of service with improved technology.

We have heard of a consolidation program now under way in South Florida that impacts on Miami, Key West and Ft. Myers. The proposal apparently is to close Miami and Key West and relocate the flight service stations in Ft. Myers. This approach will require the relocation of more people than if the 3 offices were centralized in Miami.

How many flight service stations are there in Florida? Where are they located? How many people are employed at each location? Where will the fully modernized flight service stations be located in Florida and when will they be open?

Answer: There are 12 FSS's in Florida. The locations and Air Traffic Control staffing are:

Location	Total Staff
Crestview	9
Key West	7
Ft. Myers	25
Gainesville	14
Jacksonville	21
Miami	70
Melbourne	14
Orlando	27
St. Petersburg	28
Pensacola	12
Tallahassee	14
Vero Beach	21

There will be three automated flight service station's (AFSS's) serving Florida. One will serve northern Florida south through Flagler, Marion, and Levy counties. The central Florida AFSS will serve the area from there south, through Martin, and part of Palm Beach, Glades, and Charlotte counties. The southern Florida AFSS will serve south of that line. None of the specific locations

have as yet been identified, although the southern Florida site selection process is nearly completed, since that facility is due to be commissioned by early 1985. The central Florida AFSS is scheduled for commissioning in mid-1986 and the northern Florida AFSS for mid-1988.

Question: Why are Miami and Key West people being moved to Ft. Myers when this will require the relocation of more people as compared to locating in Miami?

Answer: The site for the southern Florida Automated Flight Service Station has not yet been selected. In the site selection process, we are making every effort to provide facility quarters and services which will cost the taxpayer the least in the long term. Many factors beside the one-time personnel relocation cost are considered. Some of these life cycle cost factors include cost per square foot of leased space, costs of building maintenance, utilities and service, and costs and availability of adequate leased communications support facilities.

Furlough Status

Question: On March 9, 1982, Secretary Lewis told the Committee that options were being explored so that a furlough of FAA employees would not be required. What is the status of plans at FAA regarding the furlough? If one is still planned when will it occur?

Answer: We are exploring all options and taking every possible action to reduce the furlough or to eliminate it altogether. On March 15th we reduced the furlough to eight days and on April 5, 1982, we reduced the number of days to six. We are continuing our efforts to affect further reductions. If we have to furlough for six days it would occur about the end of June or early July.

Questions Submitted by Senator Mark O. Hatfield

AUTOMATED FLIGHT SERVICE STATION LEASED SPACE

Question: In implementing the proposed Automated Flight Service Station facilities nationwide, it has been announced by the FAA in Oregon that proposals may be submitted to provide 10,000 square feet of administrative and technical space on an airport within the state. How does this affect the existing 10 year lease the Port of Portland has with the FAA, signed on October 1, 1981, for the flight service station and flight standards district office at the Portland-Hillsboro Airport?

Answer: The lease with the Port of Portland is a year-to-year lease (originally entered into in 1975) that renews automatically each fiscal year until September 30, 1991, unless it is cancelled by the FAA. If the Port does not submit an offer for the new Automated Flight Service Station (AFSS) space or does not get the award, then the FAA would probably vacate approximately 5,000 sq. ft. of the 8,854 sq. ft. under the lease. The space would not be vacated until approximately September 1986 when the new AFSS is scheduled to be commissioned. There is also the possibility that space vacated by the existing Flight Service Station may be required for other FAA activities.

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Question: If the FAA does not intend to honor this contract, would not the cost of relocating the workforce and equipment now housed at the Portland-Hillsboro Airport be prohibitive?

Answer: The equipment will not be relocated since new automation equipment is being produced for the AFSS facility. The cost of relocating personnel is a factor that will be evaluated in determining the overall cost to the Government.

Question: If the contract is not honored, what would be the impact on future transactions with the Port of Portland, and the City of Hillsboro as well as other airport proprietors around the country?

Answer: Since the FAA has a number of lease contracts with the Port and should remain in the present space through the mid-80's, we do not believe there will be an adverse impact. The FAA's record in honoring lease agreements around the country is good.

Question: Has there been a policy analysis of the philosophy of the Federal Government actively pitting one community against another to provide the space for the AFSS?

Answer: The policy to allow all interested communities to submit proposals serves to broaden the area of consideration and injects a reasonable competitiveness into the process. This benefits the taxpayer as well as communities which otherwise might not have had an opportunity to be considered.

Question: What would be the duration if a new lease arrangement was made with another Oregon community?

Answer: The duration of any new lease arrangement for AFSS space would be for a one year firm term with nineteen annual renewal periods at the option of the FAA.

Question: How would that community be assured that the FAA would honor that leasing arrangement?

Answer: While the lease agreement would be year-to-year, a substantial commitment of resources (installation of costly equipment, relocation of personnel, establishment of major flight plan areas, etc.) make it most likely that these newly established AFSS's will be in operation for twenty years or more.

Question: Have full explanations been made to these communities of the financial pitfalls involved in providing space for the AFSS?

Answer: A general meeting concerning the AFSS Program has been or will be held in each flight plan area. The meetings are open to all interested parties and all aspects of the program are discussed. Following these meetings a solicitation for offer which outlines FAA's requirements is provided to all attendees. A timeframe is then established for the submission of proposals. During the meeting/solicitation process we will answer any questions raised by the community.

Question: Is the FAA pursuing a policy of trying, over a period of time, to get free rent for FAA facilities?

Answer: Unless there is a contract which obligates the airport owner to provide rent-free space, it is FAA practice to lease the space by negotiations. Land rights acquired on airport

property for air traffic control activities, or weather reporting and communication activities will be obtained without cost pursuant to Section 18(a)(6) of the Airport and Airway Development Act of 1970.

Questions Submitted by Senator Alfonse M. D'Amato

NEW YORK REGIONAL OFFICE REORGANIZATION

Question: Do you have underway any studies or plans to consolidate the New York regional headquarters?

Answer: As a result of continuing studies of all elements of FAA, it is now clearly apparent that numerous of the original facility sites were chosen based on the technical and budget commitment that then existed. Communications technology, particularly with satellites, has literally exploded in offering new opportunities and lower cost than existed even ten years ago. As a result, there is no longer the need for all the dispersed and personnel-intensive installations that were originally required--these can be combined in more effective and automated facilities, while offering improved service to the user and a significant reduction in cost to the taxpayer.

Our program of reviewing all FAA facilities (including region and center headquarters) and effecting combination is partial fulfillment of the President's program to reduce cost of Government, increase productivity, and remove excessive regulations. We expect FAA to make major improvements in all three. It is presently planned to complete the study of facility sites by summer of this year. Obviously, those that would save the most money are being studied first. The effort is in no way a part of the National Airspace System Plan. The two are completely independent, and we would combine appropriate installations irrespective of whether the Airways Modernization Program is initiated. One does not affect the other.

FURLOUGH STATUS

Question: What is the status of the six-day furlough of FAA employees, will it be necessary, how much will you save? In addition, will you have to effect any RIF's this year?

Answer: We are continuing to explore all options and to take every possible action in an attempt to reduce the furlough below the planned six days. Our desire is to eliminate the furlough entirely. The latest estimate for the six-day furlough is approximately $20 million.

Should we find it necessary to conduct a RIF in FY 1982, such action would have no relationship whatsoever to the planned furlough. Any RIF undertaken would be to adjust to staffing limitations or to realign skills.

Question: The recently released National Airspace System Plan, in a break with past practice, associates no cost data with the various plans and programs. Could you provide that cost data to the Committee, using 1982 dollars as a base year?

Answer: Provided for the Committee's information is the cost of the National Airspace in both 1982 constant dollars and current year dollars using OMB's inflation projections:

National Airspace System Plan
Facilities and Equipment
Priced in 1982 Constant Dollars
($ in millions)

	FY 1983	FY 1984	FY 1985	FY 1986/ 1987
Air Route Traffic Control Facilities	$ 94.3	$ 419.5	$ 544.7	
Long Range Radar	(6.0)	(109.4)	(85.7)	
Automation Equipment	(38.6)	(224.5)	(341.3)	
Other Center Facilities	(49.7)	(85.6)	(117.7)	
Airport Traffic Control Facilities	190.3	426.5	304.7	
Terminal Area Radar	(70.1)	(209.8)	(160.8)	
Terminal Area Automation	(55.6)	(34.6)	(1.8)	
Other Terminal Facilities	(64.6)	(182.1)	(142.1)	
Flight Service Facilities	95.7	194.9	124.0	
Air Navigation Facilities	93.3	79.4	120.0	
VORTAC	(16.8)	(11.6)	(7.6)	
Low and Medium Frequency Facilities	(.8)	(3.3)	(5.4)	
Instrument and Visual Landing Systems	(75.7)	(64.5)	(107.0)	
Housing, Utilities and Miscellaneous Facilities	52.9	74.2	77.1	
Aircraft and Related Equipment	73.8	21.7	13.1	
Development, Test and Evaluation Facilities	19.4	22.0	10.8	
Total By Year	$ 619.7	$1,238.2	$1,194.4	$2,039.0

National Airspace System Plan
Facilities and Equipment
Priced in Current Year (Inflated) Dollars)
($ in millions)

	FY 1983	FY 1984	FY 1985	FY 1986/ 1987
Air Route Traffic Control Facilities	$ 110.3	$ 472.0	$ 641.7	
Long Range Radar	(7.0)	(123.1)	(101.0)	
Automation Equipment	(45.2)	(252.6)	(402.0)	
Other Center Facilities	(58.1)	(96.3)	(138.7)	
Airport Traffic Control Facilities	222.6	479.8	358.9	
Terminal Area Radar	(82.0)	(236.0)	(189.4)	
Terminal Area Automation	(65.0)	(38.9)	(2.1)	
Other Terminal Facilities	(75.6)	(204.9)	(167.4)	
Flight Service Facilities	112.0	219.3	146.1	

Air Navigation Facilities	109.1	89.3	141.4	
VORTAC	(19.6)	(13.0)	(9.0)	
Low and Medium Frequency Facilities	(.9)	(3.7)	(6.4)	
Instrument and Visual Landing Systems	(88.6)	(72.6)	(126.0)	
Housing, Utilities and Miscellaneous Facilities	61.9	83.5	90.8	
Aircraft and Related Equipment	86.4	24.4	15.4	
Development, Test and Evaluation Facilities	22.7	24.7	12.7	
Total By Year	$ 725.0	$1,393.0	$1,407.0	$2,541.0
Total FY 1983-1987		$6,066.0		

National Airspace System Plan
Research, Engineering and Development
Priced in Current Year (Inflated) Dollars
($ in millions)

	FY 1983	FY 1984	FY 1985	FY 1986/ 1987
Air Traffic Control	$ 55.1	$ 77.5	$ 79.3	
Advanced Computer	47.0	156.6	134.5	
Navigation	5.3	10.5	11.3	
Aviation Weather	8.1	15.4	19.9	
Aviation Medicine	3.0	5.2	4.2	
Aircraft Safety	13.0	18.4	17.2	
Environment	2.0	2.4	2.5	
Total By Year	$ 133.5	$ 286.0	$ 269.0	$408.1
Total FY 1983-1987		$1,096.6		

National Airspace System Plan
Research, Engineering and Development
Priced in 1982 Constant Dollars
($ in millions)

	FY 1983	FY 1984	FY 1985	FY 1986/ 1987
Air Traffic Control	$ 51.5	$ 68.9	$ 67.3	
Advanced Computer	43.9	139.2	114.2	
Navigation	5.0	9.3	9.6	
Aviation Weather	7.6	13.7	16.9	
Aircraft Safety	12.1	16.4	14.6	
Environment	1.9	2.1	2.2	
Total By Year	$ 124.8	$ 254.2	$ 228.4	$327.3

Question: Has OST and OMB signed off on the out-year costs of this Plan?

Answer: The OMB and the OST have approved the Plan in concept. However, certain aspects of the National Airspace System Plan are still under review within the Administration and by outside,

independent organizations. The outcome of these reviews could impact the funding requirements and decisions.

Question: Also, does this plan modify the priority given to various airport projects at the direction of the Congress? If so, tell us the project and location of each.

Answer: Due to the extensive nature of the National Airspace Plan, there will be some minor adjustments in projects previously approved. However, before any modifications are made, we will seek Congressional concurrence. We expect to submit to the Congress within the next few weeks a reprogramming request which will identify in detail previously approved projects and locations which require modification to support the National Airspace Plan.

FLEET MODERNIZATION

Question: I notice that your fiscal year 1983 request for facilities includes $80 million to purchase 25 new aircraft. What studies and analysis can you provide us with that demonstrate the need to purchase them today rather than wait? When were these studies done - are their assumptions still valid?

Answer: The $86.4 million in our FY 1983 request is to purchase 25 new aircraft and related equipment which will replace aircraft that are currently in our fleet having time critical replacement requirements. For example, the service life limit for the Sabre 80 fleet is 10,000 hours. A projection of current flight hour utilization rates indicated that the Sabre 80 aircraft will begin to reach the limit within the next 3 years. The aircraft must be modified or replaced within that time. Normal leadtimes for modifying existing aircraft or obtaining replacement aircraft require that action be initiated as early as possible in FY-83.

The analysis and studies which led to the development of our Fleet Conversion Plan are of various types. The moving force behind the Fleet Conversion Plan was the very high cost of the Sabre 80 Life Extension Program which prompted us to review the certification data to validate the 10,000 hour life limit. This review confirmed that life limit, and as a result of those findings, an independent economic analysis of the costs of all modifications required for continued operation of each type of aircraft in our fleet was performed to identify those aircraft that could be replaced at a lower cost. The approach of the service life limits automatically becomes the pacing factor of the Conversion Plan.

All studies and analysis performed in support of the Fleet Conversion Plan were performed between November 1980 and April 1981. We are confident that the resulting conclusions and recommendations are still valid and provided is a copy of the cost benefit analysis conducted by our Office of Policy and Plans.

ECONOMIC ANALYSIS

AIRCRAFT FLEET CONVERSION

Program: Flight Inspection

Year	Alternative Costs (M 1980) Current Fleet	Replacement	Savings
1982	43.7	52.5	- 8.75
1983	76.5	85.7	- 9.18
1984	61.3	44.8	16.5
1985	52.1	48.3	3.83
1986	73.5	46.3	27.2
1987	60.1	50.4	9.71
1988	60.2	50.5	9.72
1989	60.4	50.7	9.71
1990	60.5	50.8	9.71
1991	60.7	51.0	9.70
1992	60.8	51.1	9.70

Present Value Current Fleet:	$394
Present Value Replacement:	348
Present Value Savings:	$46M

Program: Logistics

Year	Alternative Costs (M 1980) Current Fleet	Replacement	Cost Savings
1982	2.4	2.4	0
1983	2.4	9.2	- 6.75
1984	3.9	1.0	2.85
1985	2.5	1.1	1.45
1986	2.6		1.45
1987	2.6		1.45
1988	2.6	1.2	1.45
1989	2.7	1.2	1.45

1990	2.7	1.2	1.45
1991	2.7	1.3	1.45
1992	2.8	1.3	1.45

Present Value Current Fleet: $17.64

Present Value Replacement: 15.26

Present Value Program Savings: $ 2.38 M

Program: Training

Year	Alternative Costs (M 1980) Current Fleet	Replacement	Cost Savings
1982	6.40	11.20	- 4.80
1983	6.44	10.19	- 3.75
1984	6.78	5.71	1.07
1985	6.72	3.42	3.30
1986	6.76	3.46	3.30
1987	6.60	3.50	3.10
1988	6.64	3.54	3.10
1989	6.08	3.57	3.10
1990	6.72	3.61	3.10
1991	6.76	3.65	3.10
1992	6.80	3.69	3.10

Present Value Current Fleet: $43.11

Present Value Replacement: 36.68

Present Value Program Savings: $ 6.43 M

Program: Research & Development

Year	Alternative Costs (M 1980) Current Fleet	Replacement	Cost Savings
1982	4.64	4.64	0
1983	4.68	4.63	.05

1984	10.82	12.37	- 1.55
1985	4.77	4.66	.11
1986	4.81	4.71	.1
1987	4.85	4.76	.09
1988	4.89	4.80	.09
1989	4.93	4.85	.08
1990	4.98	4.89	.09
1991	5.01	4.94	.07
1992	5.06	4.99	.07

Present Value Current Fleet: $35.83

Present Value Replacement: 36.57

Present Value Program Savings: $- .74 M

Program: Evaluation, Currency & Transportation

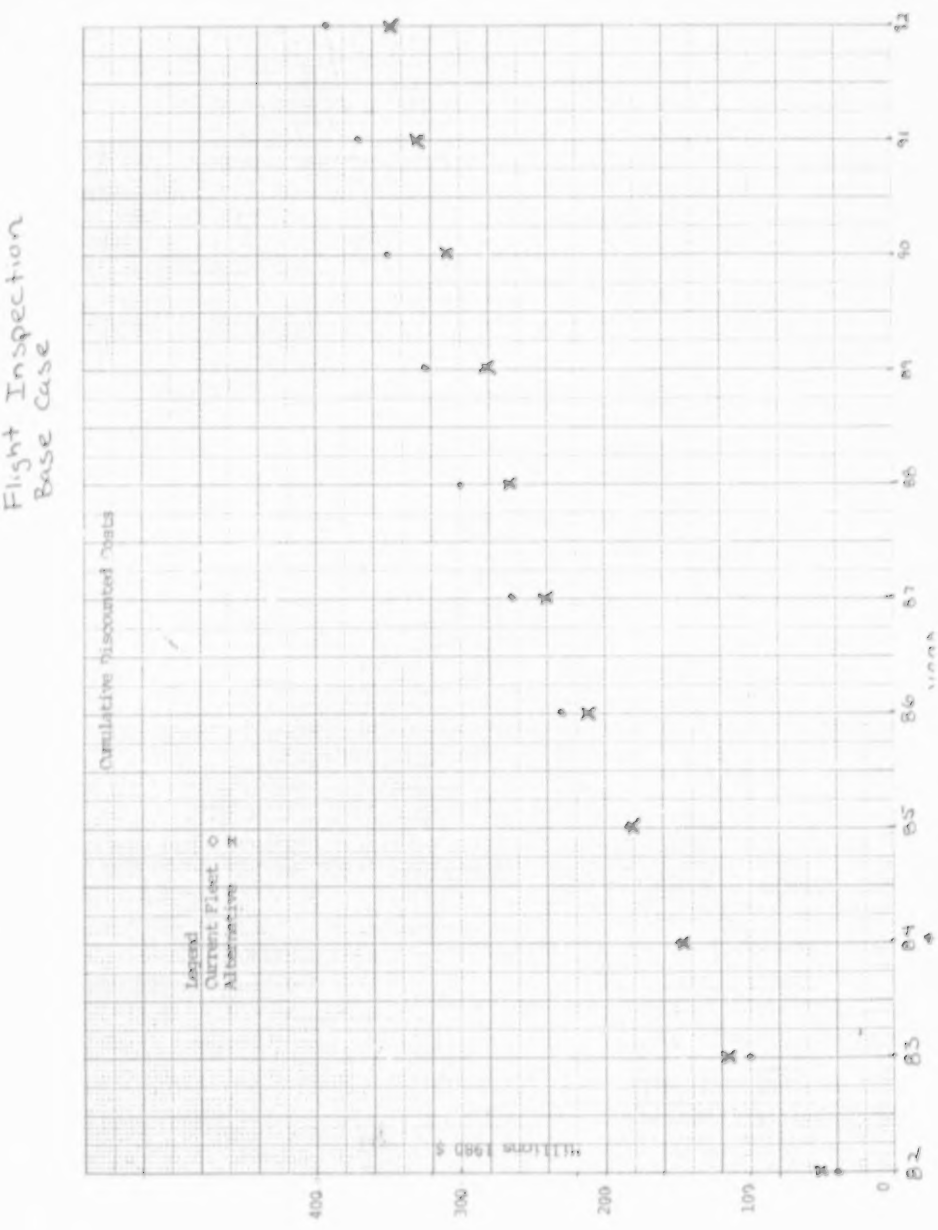
Year	Alternative Costs (M 1980) Current Fleet	Replacement	Cost Savings
1982	11.79	10.43	1.36
1983	12.02	15.16	-3.14
1984	12.26	10.90	1.36
1985	12.49	11.13	1.36
1986	12.72	11.36	1.36
1987	12.95	11.59	1.36
1988	13.18	11.82	1.36
1989	13.41	12.05	1.36
1990	13.64	12.26	1.38
1991	13.87	12.51	1.36
1992	14.10	12.74	1.36

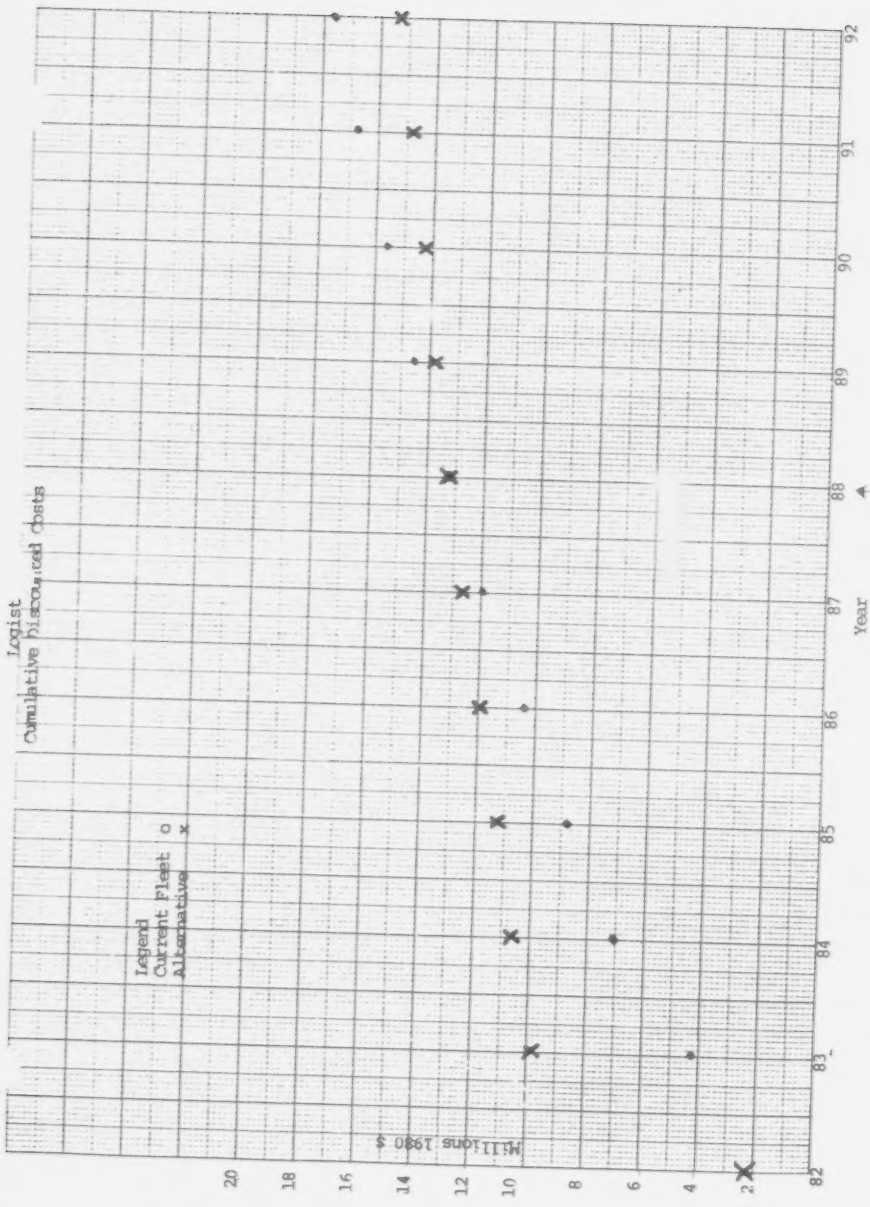
Present Value Current Fleet: $82.70

Present Value Replacement: 77.58

Present Value Program Savings: $ 5.12 M

Flight Inspection
Base case

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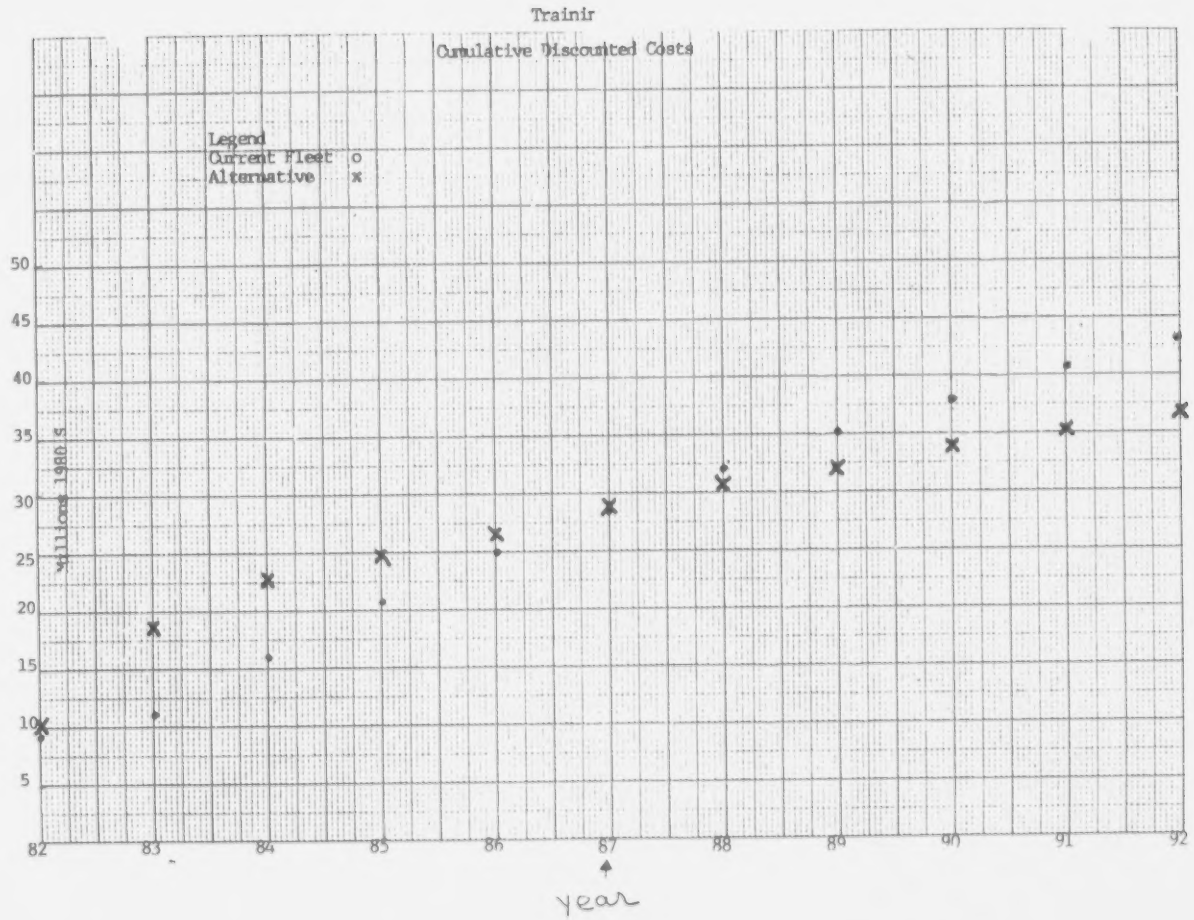
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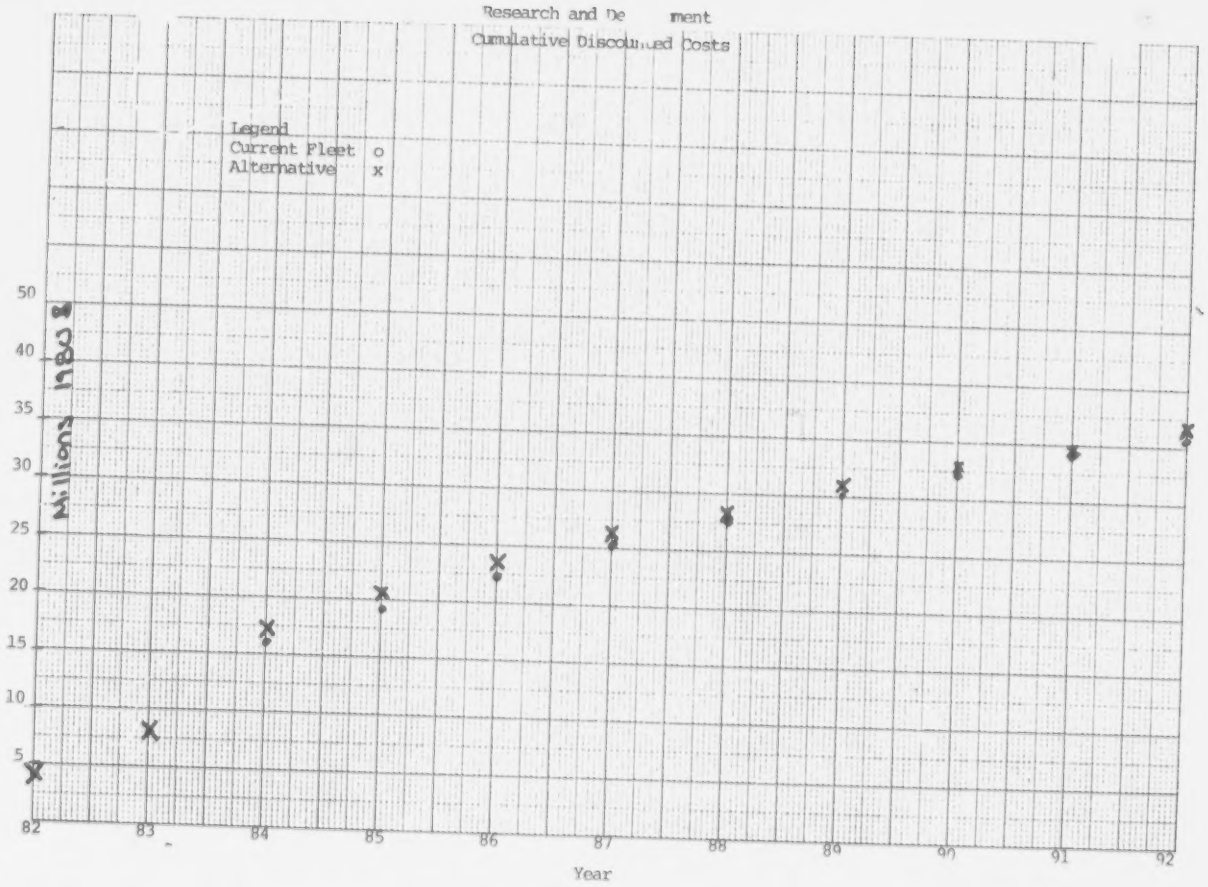
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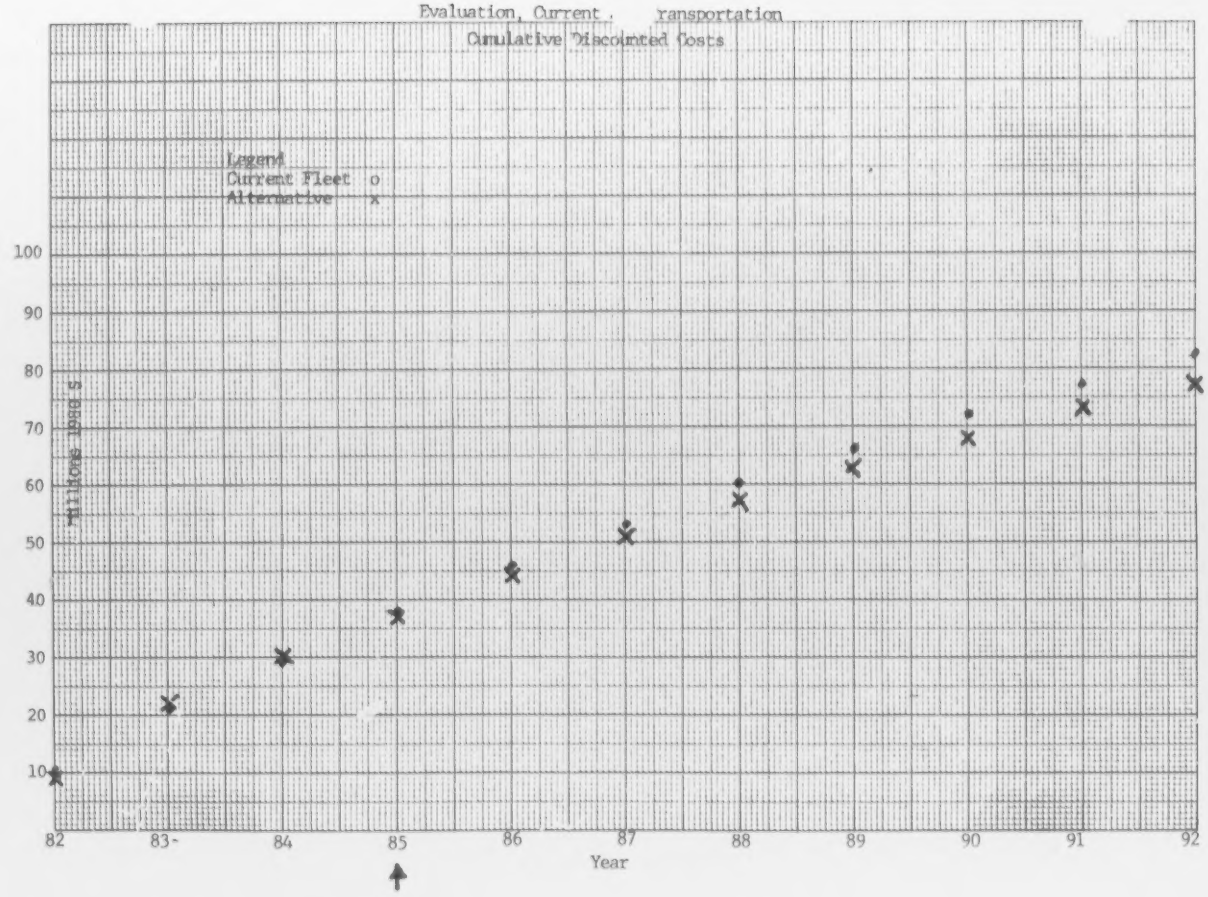
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PACKAGE II

1. Flight Inspection -- 1st increment
2. 1st Increment Flight Inspection & Logistics
3. 1st Increment Flight Inspection APC Change
4. Flight Inspection -- APC only

Program 1 : Flight Inspection -- 1st Increment

Year	Alternative Costs (M 1980) Current Fleet	Replacement	Savings
1982	29.8	21.8	7.9
1983	63.6	53.3	10.3
1984	46.0	28.1	17.9
1985	35.2	35.5	- 0.4
1986	59.7	30.4	29.3
1987	39.2	30.5	8.7
1988	39.3	30.6	8.7
1989	39.4	30.7	8.8
1990	39.5	30.8	8.8
1991	39.6	30.8	8.8
1992	39.8	30.9	8.8

Present Value Current Fleet: $281.9

Present Value Replacement: 208.2

Present Value Program Savings: $ 73.7 M

Program 2 : 1st Increment Flight Inspection & Logistics

Year	Alternative Cost (M 1980) Current Fleet	Replacement	Savings
1982	31.2	37.7	- 6.5
1983	65.4	55.8	9.6
1984	49.5	33.1	16.4
1985	37.7	36.6	1.1
1986	62.2	31.5	30.7
1987	41.8	31.6	10.1
1988	41.9	31.8	10.2
1989	42.1	31.9	10.2
1990	42.2	32.0	10.2
1991	42.3	32.1	10.2
1992	42.5	32.2	10.3

Present Value Current Fleet: $297.8

Present Value Replacement: 233.1

Present Value Program Savings: $ 64.7 M

Program 3 : 1st Increment Flight Inspection APC Change

Year	Alternative Costs (M 1980) Current Fleet	Replacement	Savings
1982	34.4	28.4	5.9
1983	68.4	77.6	- 9.2
1984	50.9	39.1	11.8
1985	40.3	34.4	5.9
1986	64.8	34.5	30.3
1987	44.4	34.6	9.7
1988	44.5	34.8	9.7
1989	44.6	34.9	9.7
1990	44.8	35.0	9.7

1991	44.9	35.2	9.7
1992	45.0	35.3	9.7

Present Value Current Fleet: $314.6

Present Value Replacement: 255.6

Present Value Programs Savings: $ 59.0 M

Program 4 : Flight Inspection -- APC Only

Year	Alternative Costs (M 1980) Current Fleet	Replacement	Savings
1982	4.60	6.60	- 2.00
1983	4.78	24.30	- 19.52
1984	4.96	4.24	0.72
1985	5.14	4.05	1.08
1986	5.15	4.10	1.05
1987	5.17	4.15	1.02
1988	5.19	4.20	0.99
1989	5.21	4.25	0.95
1990	5.23	4.30	0.92
1991	5.25	4.35	0.89
1992	5.26	4.40	0.86

Present Value Current Fleet: $ 32.67

Present Value Replacement: 45.85

Present Value Program Savings: $-13.2

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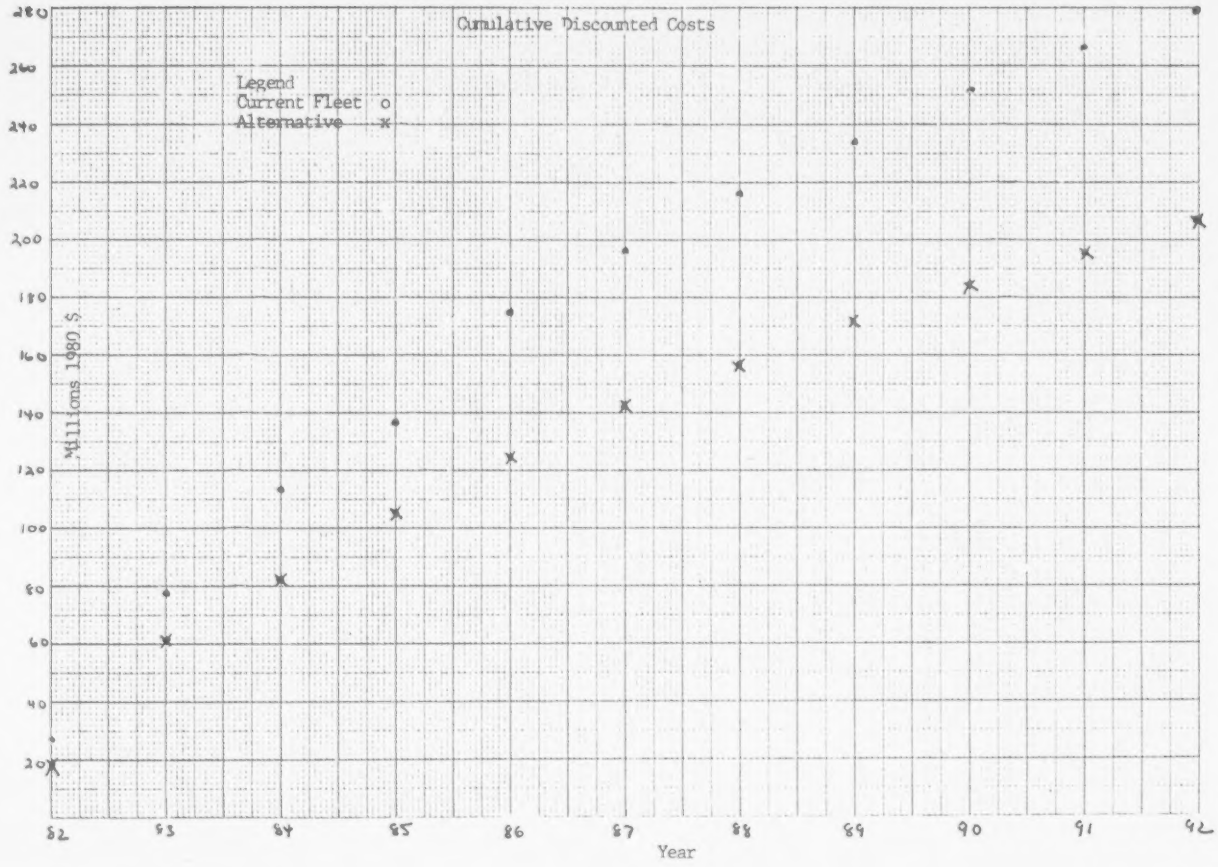
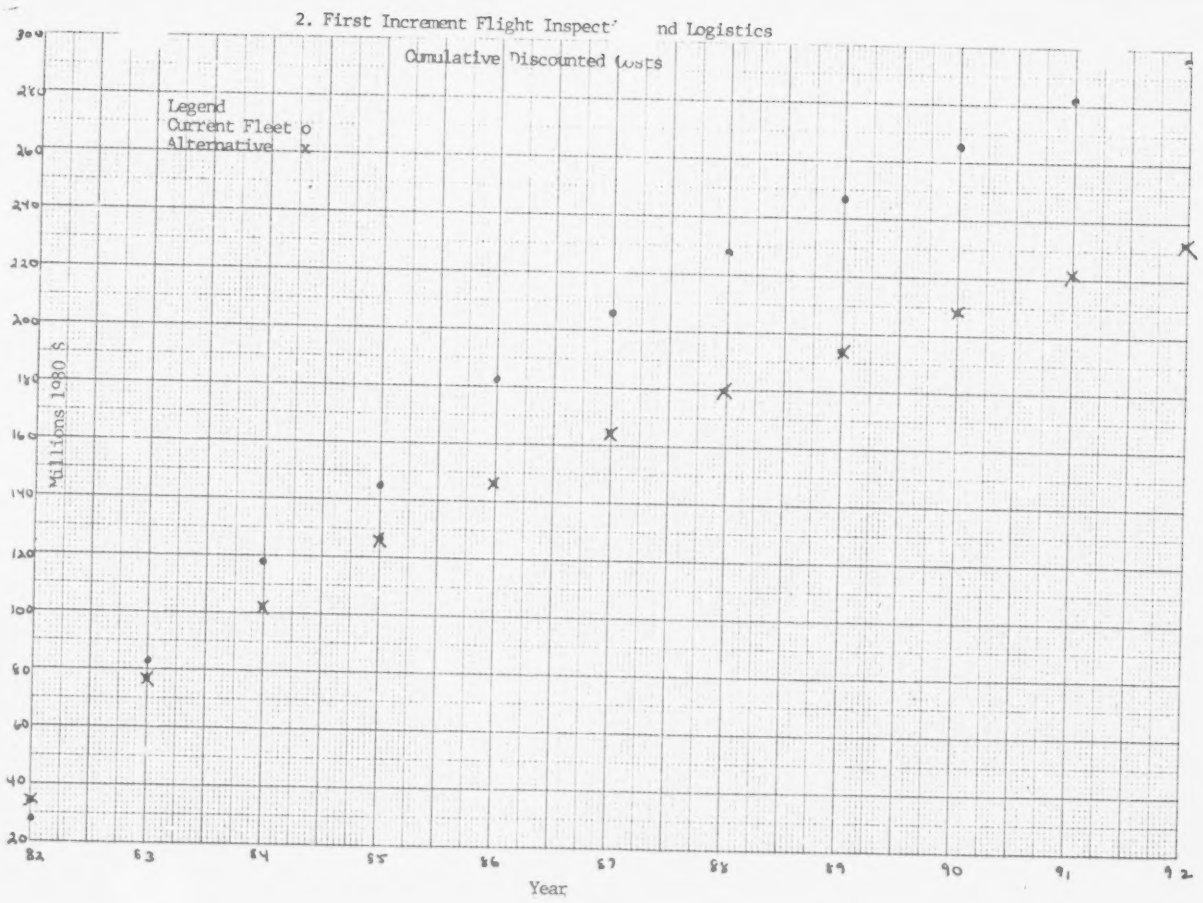
1. Flight Inspection -- First Increment

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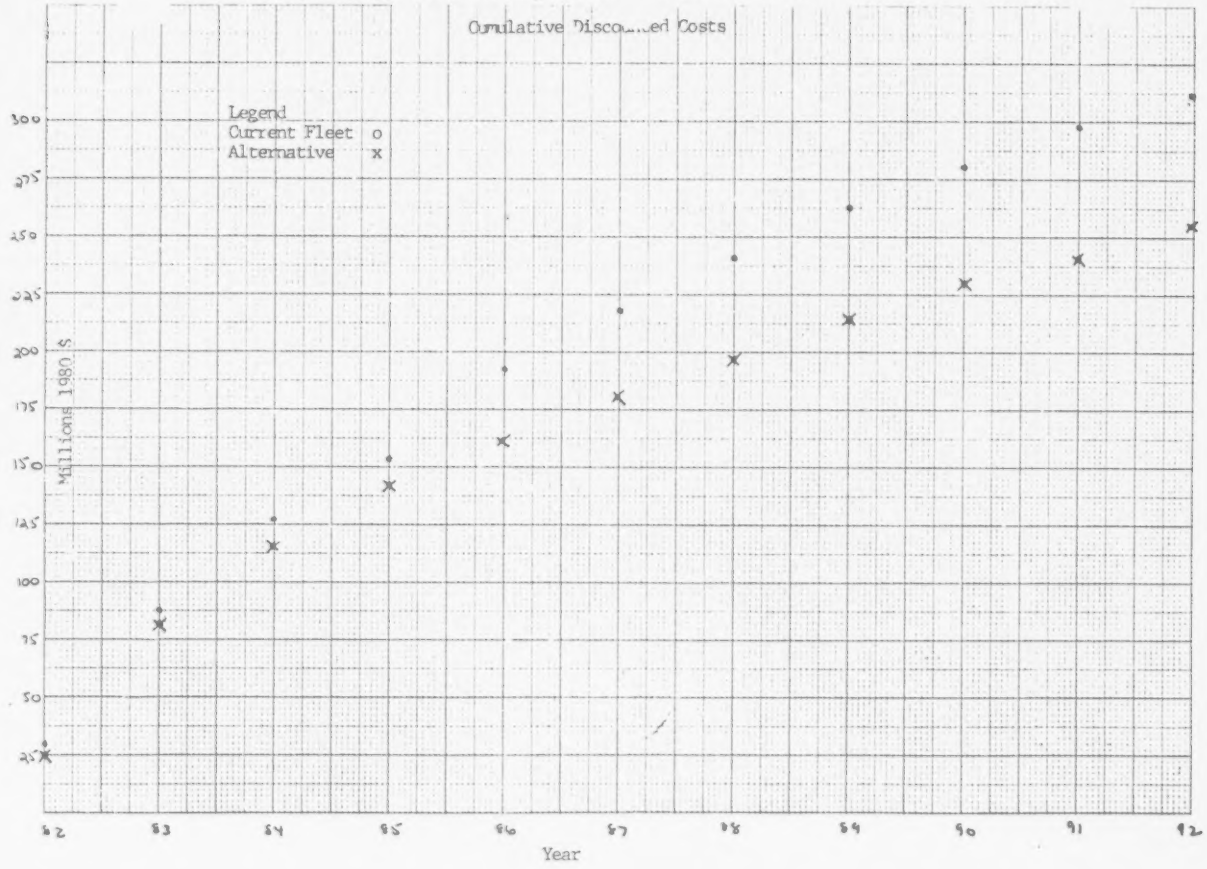
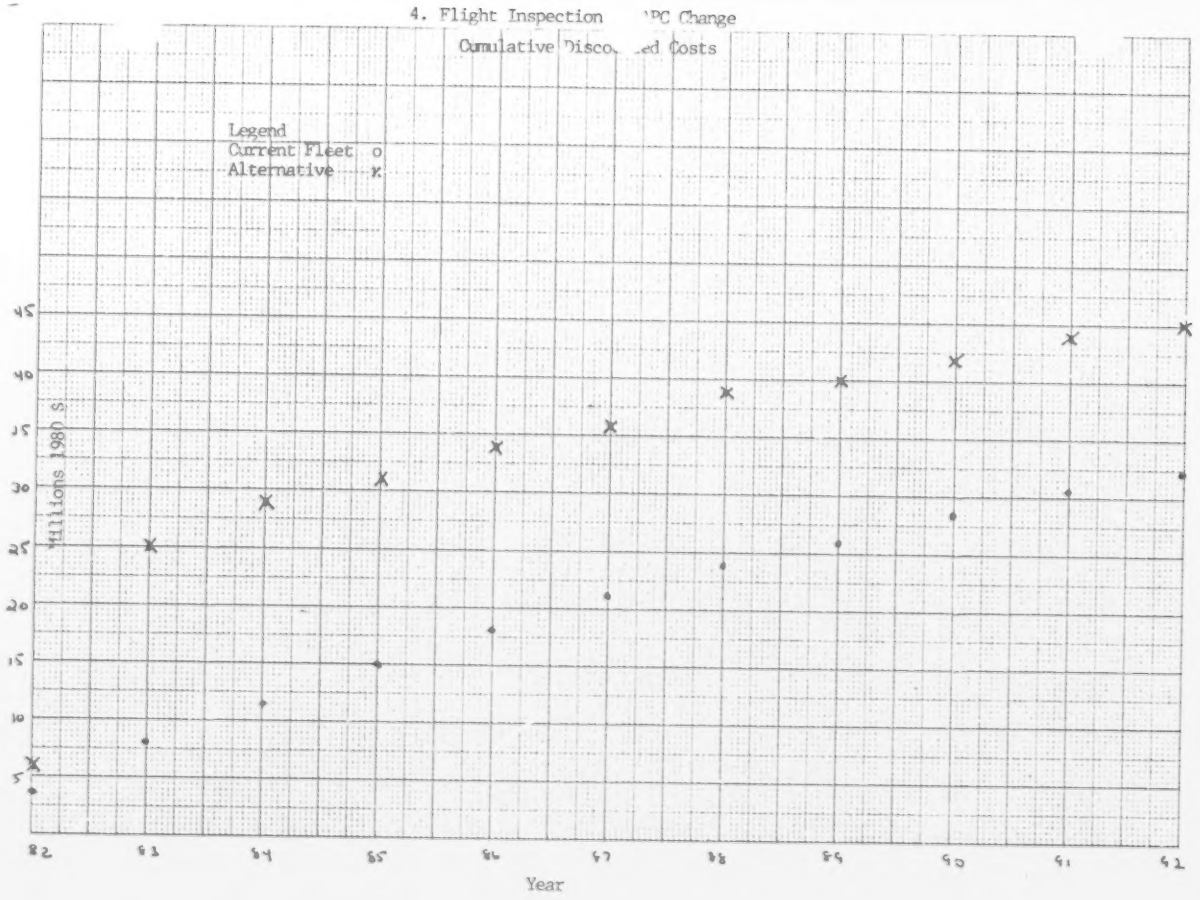
3. First Increment Flight Inspe ion and APC Change

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Question: Also, it is recommended that four of the leased aircraft be purchased - at this time, due to high interest rates, that doesn't seem to make sense.

Answer: The recommendation to purchase the leased aircraft makes sense in spite of current high interest rates. Annual interest charges for purchase this year will be about $50,000 less than the lease fees presently being paid for these aircraft. Additionally, changes in interest rates are uncertain at this time.

NAS PLAN

Question: The National Airspace System Plan recently released, carried no cost estimates or inflationary assumptions for the out years. What are the inflation rates assumed in each of those years — starting with FY 1982.

Answer: OMB's latest inflation rate projections for this type of activity were used in pricing the National Airspace Plan. The following inflation rates were used:

1982	8.4%
1983	7.0%
1984	5.1%
1985	4.7%
1986	4.1%
1987	3.7%

NAS PLAN - PROJECT CHANGES

Question: What modifications does the NAS Plan make in any New York projects, in particular those that have been named in previous congressional reports. Please indicate the original timetable and when we can expect the plan to be replaced.

Answer: Due to the extensive nature of the National Airspace Plan, there will be minor adjustments in projects previously approved. However, before any modifications are made, we will seek Congressional concurrence. We expect to submit to the Congress within the next few weeks a reprogramming request which will identify, in detail, previously approved projects and locations, including any applicable New York locations, which require modification to support the National Airspace Plan.

FACILITY CLOSINGS/REDUCED HOURS

Question: Does the FY 83 budget assume closing or reduced hours at any FAA facilities in New York? If so, please identify the facility, location, and number of people affected.

Answer: Six airport traffic control towers have been identified as potential candidates to be reviewed for a possible permanent reduction in operating hours in the state of New York. They are as follows:

Albany, NY
Binghamton, NY
Buffalo, NY
Elmira, NY
Syracuse, NY
Utica, NY

Each approved proposal to reduce the operating hours of a facility averages a 2 position savings. These six facilities are now operating temporarily at reduced hours due to insufficient staffing.

No permanent action will be taken until each location is thoroughly analyzed and reviewed.

We have not identified any New York Flight Service Stations for consolidation in FY 1983. Candidate locations will be determined following a thorough staff study.

GRADING ERRORS AT THE FAA ACADEMY

Question: A few months ago the news media reported that the method of grading examinations at your training facility in Oklahoma City was deficient. Specifically that passing grades were given to those that did not deserve them. You have investigated; what did your investigations show? Have any steps been taken to tighten procedures at the training center or disciplinary action against any personnel as a result?

Answer: In an air traffic enroute training class which ended in November 1981, the FAA Aeronautical Center discovered that there were a total of 19 grading errors made. The Center's subsequent internal investigation revealed that of these 19 errors 9 had no effect on the students' pass/fail status, 3 involved students who had originally been identified as passing who had actually failed, and the remaining 7 involved students who had originally been identified as failing who had actually passed. All of these errors have been corrected.

As a result of the problems encountered, the Aeronautical Center immediately initiated an interim grading system that called for crosschecks, (i.e., handgrading crosschecked with optical scanner grading to preclude the repetition of the same problem). Since then, the Aeronautical Center has purchased two new scanners with state-of-the-art sensitivity that are used to independently score tests. Hand checks are now made on scanner results as part of a study to determine the precise accuracy of the scoring system. Results so far indicate that the crosscheck system is virtually error free.

TRAFFIC LEVELS

Question: Mr. Helms, in recent public statements you have stated that you are now handling 88 percent of the pre-controllers strike traffic and that within 6 months you expect to be back to normal. Do these estimates still stand?

Answer: By September of 1982, we expect to be at 90 percent of prestrike capacity regulated for balanced traffic flow. By May 1983, we expect to be at 100 percent of prestrike capacity regulated for balanced traffic flow. In December 1983, we will be at 100 percent prestrike capacity with normal prestrike flow restrictions. In June 1984, we expect supervisors and staff to return to their normal duties with the controller work force handling the air traffic activity.

COST RECOVERY

Question: What are your recovery estimates for all elements of aviation, air carrier, military, small commercial operators and general aviation?

Answer: Under the Administration's airport and airway proposal, annual cost recovery from air carriers is anticipated to increase from approximately 110 percent in FY-1983 to about 114 percent in FY-1985. Comparable estimates for general

aviation are 17 to 20 percent. Because Federal Aviation Administration (FAA) expenditures incurred for the benefit of the defense department are, by definition, in the public interest, such expenditures are recovered in full from the general revenue fund as part of the FAA's annual budget appropriation.

Annual cost recovery estimates for FY-1983 through FY-1985 are listed below along with anticipated average recovery levels over the five year period FY-1983 through FY-1985.

Year	1983	1984	1985	1983/1987
Air Carriers	110%	102%	114%	121%
General Aviation	17	17	20	21
Military	100	100	100	100

REGULATION BY OBJECTIVE

Question: Mr. Administrator, I understand you plan some deregulation of your certification and training responsibilities. Tell us briefly what you plan to deregulate, who will be affected, the benefits expected and the anticipated effects on safety.

Answer: We are planning to implement a new regulatory concept known as Regulation by Objectives. Under this concept the FAA will prescribe the objectives of its regulations without mandating the manner, method, or procedure by which compliance is to be achieved. Operators will be required to comply with the objectives in a manner provided by the FAA--similar to the present system--or in a manner proposed and proven by the operator and approved by the FAA. This process will ensure that the high level of safety now required is maintained. The first regulation to be issued under this new concept will pertain to the certification and operation of air carriers.

The new Regulation by Objectives concept will provide a regulatory structure that is sufficiently flexible to accommodate technological and environmental changes while continuing the same high level of safety.

Question: How will this deregulation impact your staffing--I assume it will go down--and what dollar savings will show up in your budget starting in what year.

Answer: No direct impact on staffing is expected as a result of Regulation by Objectives.

Question: Will there be any dollar savings accrue to aviation as a result of this deregulation? If so, to what elements.

Answer: The new Regulation by Objectives concept will reduce the burden on the aviation industry--initially the airlines and commuters--by permitting a wider range of responses to meeting safety objectives in the most cost effective way.

GRANTS-IN-AID FOR AIRPORTS

Question: In your proposal to extend the Airport and Airway Development and Revenue Acts you propose to deregulate the top 41 airports in the United States over a two or three year period. This seems rather controversial, please tell us who has been opposed and why. Also, how do you answer their criticisms.

Answer: It is not unusual for something that represents a change from the status quo to be controversial and that is the case with defederalization. Some of the views of organizations currently opposing defederalization are stated below.

In March, the Airport Operators Council International and the American Association of Airport Executives jointly testified before the House Aviation Subcommittee. These two organizations oppose mandatory defederalization. However, they support a program of voluntary defederalization if the prohibition on passenger facility charges (head taxes) is removed. The Air Transport Association also is opposed to defederalization. Their position is not predicated on the withdrawal of Federal financial support as much as it is on their opposition to airports instituting passenger facility charges.

Our position on defederalization is predicated on the fact that these 41 airports generate enough revenues to support their capital development without Federal aid. It also removes them out from under the regulatory burden that is associated with Federal aid.

FAA FUNCTIONS/ORGANIZATION/FUNDING

Question: Recently, I have heard of several informal proposals to change FAA's functional responsibilities, its method of funding and its organization. One proposal would establish a Federal Aviation Service similar to the Post Office, presumably to make it less subject to "politics." Another was to give FAA taxing authority and limit its spending to its collections, but with Congressional oversight, of course. A third plan would limit FAA to system operation and maintenance only and your other responsibilities would be placed with other agencies.

Are you currently studying any of these proposals? What is your reaction to these? Do you believe that FAA should be organized differently than what it is and its responsibilities dispersed? What is the cheapest and yet most efficient management for FAA in your judgement?

Answer: We do not have under study any proposal covering a "Federal Aviation Service", FAA taxation authority, or limitations on FAA to system operation and maintenance. Without more details of these "proposals" it is difficult to react. We do have a National Airspace System Plan which covers in detail the most effective and efficient means of managing the FAA over the next twenty years. This plan has been presented to Congress and the public and we feel that if implemented will be the best approach to meet the projected needs and demands of the United States airspace system.

FACILITY CLOSURES/REDUCED HOURS

Question: It was recently reported that FAA has reopened several towers that were closed due to manpower shortages after the controllers strike. How many Flight Service Stations were closed or operating under reduced hours due to manpower shortages since August 4? Also, how many of these have been reopened or restored to full time operation? When will they?

Answer: Since August 4, one FSS has been temporarily closed and 51 have been operating with temporarily reduced hours. Six FSS's which had been temporarily part-timed have been returned to normal operating hours.

These emergency actions have occurred because we have been unable to redistribute our work force to accommodate to staffing reductions sustained in the FY-82 budget. During the FY-82 hearings, we testified that 60 part-timing and 32 closure actions would be necessary to consolidate the remaining work force and maintain the level of service. Since we have not yet obtained Congressional concurrence to proceed with these actions, staffing reductions absorbed through attrition have produced the personnel shortages and emergency actions.

In FY-82 and FY-83 we plan to redistribute the remaining work force from low-activity, low-productivity FSS's to higher activity, high-productivity FSS's and further increase the cost-benefit return on the taxpayer's dollar. We cannot manage the system and sustain an adequate level of service without accelerated consolidation.

Question: What data can you provide us with concerning the number of unanswered calls coming into each of these Flight Service Stations facilities? Was there an increase in work load attributable to this at other stations?

Answer: All emergency (temporarily) part-timed facilities and the emergency (temporarily) closed facilities were relatively low-activity, low-productivity facilities. Since only a few of our larger FSS's have equipment which counts calls not answered and determines where facility workload originates, we cannot provide information on service demands unmet at these small facilities, nor determine quantitatively whether the transferred service demand caused an increae in workload at other stations.

For example, in the case of the temporarily closed Cotulla, Texas, FSS, all preflight briefing and flight planning service and en route radio communications had been transferred to San Antonio FSS well in advance of closure. The San Antonio FSS was able to absorb the minimal local service demand generated from the Cotulla Airport. Cotulla pilots also have telephone access via Inward Wide Area Telephone System (INWATS) to three other Texas FSS's. There was no impact noted at San Antonio nor have there been any user complaints from the Cotulla area.

As in the case of Cotulla, many of the temporarily part-timed facilities also served only their local community, with outlying areas served by INWATS and remoted radio communications to larger facilities. Since these smaller facilities average fewer than 5 services during their hours of closure (normally 10:00 pm to 6:00 am), any impact of the redistributed workload would have been negligible.

TRANSFER OF FSS PERSONNEL TO TOWERS

Question: We understand that 168 air traffic personnel were shifted from stations to towers. You have told us the system impact in the previous question - when will these 168 individuals be replaced? How will this be done, will those people be returned to stations or will they be new hires?

Answer: The 168 flight service station (FSS) personnel will not be replaced. Their workload has been assumed by the remaining FSS personnel. Employees who fail the tower training program will be returned to existing FSS facilities.

RESERVATION SYSTEM

Question: The general aviation reservation system is also handled by FSS personnel. What workload impact do you expect this to have on the FSS system? How many additional people do you expect to be required to handle this responsibility?

Answer: Initially, the General Aviation Reservation (GAR) system created significant additional workload while both FSS specialists and pilots were learning to use a new system. After further training and increased familiarity with the system, along with some program changes, direct GAR impact has been minimized. The GAR system, in itself, has reduced the number of IFR flight plans filed through the FSS's, and in that sense, has actually reduced a part of the workload. However, the number of calls per flight has increased from one required to get a weather briefing and file an IFR flight plan to frequently two or more calls, when further coordination is required to get a GAR slot. When added to other calls for ATC clearances or airport advisory services where towers are closed or part-timed, post-strike FSS operations have been increased. Comparing the months of August through October 1980 to the same months in 1981, FSS activity figures show the following:

Pilot Weather Briefings	+1%
IFR Flight Plans	-8%
VFR Flight Plans	-6%
IFR Aircraft Contacted (by radio or ATC clearance delivered by telephone)	+26%
VFR Aircraft Contacted	+6%
Airport Advisory Service	+11%

The FSS system saturation we are presently facing will be substantially improved by more effectively distributing FSS personnel to higher-activity, higher-productivity facilities through our planned closure of 32 and part-timing of 60 facilities in FY 82, and part-timing or closure of 99 facilities in FY 83, and further improved by the commissioning of the automated FSS's beginning in 1984.

Questions Submitted by Senator Charles Mathias

DULLES REVENUES

Question: We note on page 126, "Operation and Maintenance, Metropolitan Washington Airports," that Dulles International Airport is expected to generate an operating loss significantly smaller than the loss recorded in the previous fiscal year. FAA also projects a substantial increase in revenues for fiscal year 1983, compared with fiscal year 1982. Is this smaller operating loss, and associated increase in FY 83 revenues, the result of a reimposition of previously waived landing fees and mobile lounge charges at Dulles?

Answer: The revenue forecasts for FY 83 includes $3,815,000 for landing fees and mobile lounge charges at Dulles. This assumes the waiver will end on December 31, 1982.

Question: The waiver of fees at Dulles through calendar year 1982 was instituted as part of an "incentive program." Does the FAA have any plans to waive these fees in the future as part of a continuing program?

Answer: There are currently no plans to continue the waiver of landing fees and mobile lounge fees beyond December 1982, but we plan to assess that situation again toward the end of this year.

DULLES TRUST FUND

Question: As part of the current Dulles incentive program, we understand that the airlines serving Dulles agreed to deposit $.77 per enplaned and deplaned passenger into a special fund, proceeds dedicated to Dulles ground transportation improvement. To date, how much money have carriers serving Dulles deposited into this special fund?

Answer: As of January 31, 1982 the carriers have deposited $1,754,184.74 into the Trust Fund.

Question: Will this special fund be used to purchase new capital equipment, including buses, for the Dulles ground transportation system?

Answer: The Dulles Air Carrier Trust Fund was established by the air carriers to carry out planned improvements to ground transportation service at Dulles. The planned improvements to the service include the procurement of new capital equipment, including buses, using monies from the fund.

Question: Will this special fund be used to subsidize bus fares for patrons using the Dulles ground transportation services? If not, what do you feel is an appropriate level of subsidizing?

Answer: At present, the FAA does not have plans to provide any direct subsidy of bus fares for patrons using the Dulles ground transportation services. To the extent that investments in ground transportation service improvements decrease an operator's cost or increase ridership, the result will be to stablilize or put downward pressure on fares.

Question: We understand that a new contract for Dulles terminal advertising requires the advertising concessionaire to publish and distribute a flight guide listing all scheduled flights to and from Dulles. Are funds collected from the airlines as part of the Dulles incentive program used to publish this guide? If not, would the FAA use this special fund, or other funds, to advertise and promote the use of Dulles or arrange with the carriers serving Dulles to purchase cooperative advertising to promote the airport and its schedule of service?

Answer: The Dulles Air Carrier Trust Fund is not used to pay for the publication and distribution of the Dulles Flight Guide. Additionally, the air carriers controlling the trust fund have not authorized disbursements from the fund for the promotion of Dulles and its schedule of service. Part of the trust fund is to be used to advertise and promote improvements in the airports' ground transportation services.

SUBCOMMITTEE RECESS

Senator ANDREWS. We look forward to working with you in the months to come. The subcommittee will now recess.

Mr. HELMS. Thank you, sir.

[Whereupon, at 11:12 a.m., Monday, April 26, the subcommittee was recessed, to reconvene Thursday, April 29.]

DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1983

THURSDAY, APRIL 29, 1982

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 10:25 a.m., in room 1224, Everett McKinley Dirksen Senate Office Building, Hon. Mark Andrews (chairman) presiding.

Present: Senator Andrews.

NONDEPARTMENTAL WITNESSES

SUBCOMMITTEE PROCEDURE

Senator ANDREWS. The subcommittee will come to order.

My apologies for the votes on the floor. That is one of the things that happens in this business.

Today the subcommittee is hearing outside witnesses.

The first outside witness will be the American Public Transit Association, represented by Louis Gambaccini, their Vice President for Government Affairs.

Mr. Gambaccini, do you want to come forward.

STATEMENT OF LOUIS J. GAMBACCINI, VICE PRESIDENT FOR GOVERNMENT AFFAIRS, AMERICAN PUBLIC TRANSIT ASSOCIATION

ACCOMPANIED BY JACK R. GILSTRAP, EXECUTIVE VICE PRESIDENT, AMERICAN PUBLIC TRANSIT ASSOCIATION

Mr. GAMBACCINI. Thank you, sir.

Mr. Chairman, I appreciate the opportunity to appear before the committee.

I have accompanying me Jack Gilstrap, APTA Executive Vice President.

Mr. Chairman, rather than reading the statement that we have presented to your staff for inclusion in the record, I thought I would very briefly highlight it and particularly try to provide time for any questions you might have.

Senator ANDREWS. I appreciate that.

Mr. GAMBACCINI. Mr. Gilstrap and I have each spent 20 years in the transit field in management positions as transit operators. We have seen

the transit field go through, in our first decade of carrer commitment to the transit industry, a severe decline in traffic loss and physical deterioration of systems abandonment and an evolution from private to public operation.

In the last 10 years we saw a turnaround, particularly as the effect of the UMTA program began to resuscitate, stabilize and there was gradual improvement in the systems. This was reflected in ridership growth and a considerable upgrading of transit around the country.

We stand now at a very critical juncture. For most of the last decade the UMTA program had been tracking somewhat, easing the burden of inflation, and stabilizing fares. Fares have continued to increase but not at the full extent that they might otherwise, and that helped to maintain and build ridership.

We are now at a critical juncture because now not only are we not facing program growth to accommodate inflation, and indeed no continuation of significant improvement or growth in expansion of services, but we are facing the threat of continuing severe cuts in our support at the Federal level.

Our No. 1 plea is that program funding levels be maintained. At least to maintain the infrastructure we have. We are not making any bold proposals for rapid expansion or very considerable upgrading. We are just trying to hold things together.

We estimate an annual need of $13.5 billion in capital and operating requirements of which $7.8 billion is estimated to come from non-Federal sources, leaving a gap of $5.6 billion.

The administration proposal would provide $2.6 billion of the $5.6 billion. A proposed bill by Senator D'Amato, S. 2377, would provide for $3.2 billion, or about the same level as fiscal year 1982 in fiscal year 1983. That would merely hold things at a prior level with no provision for escalation or growth of any sort.

It is significant to note that 2 years ago both Houses of the Congress passed bills by overwhelming margins that would have provided in a fiscal year on the order of $5 billion which would have been very close to filling the non-Federal gap needs.

It is also significant to note that even if a level is achieved or maintained at the proposed D'Amato level of $3.2 billion, there will still be required sizeable fare increases across the country and significant service reductions.

We would like to emphasize also that, at least as proposed in the administration's bill, the cuts in the operating assistance, particularly tier one at 44 percent reduction, would especially hit hard the smallest systems around the country, the small cities which have ironically been responsible for the largest aggregate growth in traffic over the last decade.

Incidentally, Mr. Chairman, with your permission we would like to add to the record a one-page table reflecting some of these trend numbers that I have recited as well as excerpts from some 200 responses we have recently received from the smaller towns and cities around the country which detail the impacts to them if these proposed cuts are allowed to occur.

Senator ANDREWS. Without objection, if you will present the table to the clerk, it will be included in the record.

Mr. GAMBACCINI. We don't have it ready today, but we will submit it very promptly, Mr. Chairman, both the table and some excerpts from letters, if we may.

Senator ANDREWS. Within 48 hours.

Mr. GAMBACCINI. Yes, sir.

[The information follows:]

american public transit association

LETTER FROM JACK R. GILSTRAP

April 30, 1982

The Honorable Mark Andrews
Chairman, Subcommittee on Transportation
Committee on Appropriations
U.S. Senate
1406 Dirksen Senate Office Building
Washington, DC 20510

Dear Senator Andrews:

The American Public Transit Association very much appreciated the opportunity to address your Subcommittee on April 29 to discuss fiscal 1983 appropriations for the federal transit program.

In addition to our written statement, we respectfully request that the attached material also be included for the record. The graph provides an historical perspective on federal transit funding. It illustrates the extent to which out-year funding levels now under consideration in Congress will meet projected needs.

The needs identified in the graph represent the unfunded gap in capital and operating expenses for existing levels of service and already planned projects after state, local, and farebox revenues are credited against estimated costs. No increases in service beyond those already being planned are assumed.

The graph vividly illustrates several key themes from our testimony:

1. The Administration's proposed budget levels will precipitate drastic reductions in service, major increases in fares, and potentially, the shutdown of many of the nation's transit systems;

2. The Administration's proposal reflects a major reversal in the federal commitment to transit as established by Congress in 1964 and 1975;

3. Even under the funding levels proposed in bills now being considered in both the House and the Senate, transit operators and the communities they serve will be forced to make service reductions and fare increases to maintain basic transit services;

   These steps are already well underway in many areas of the country in response to the two funding cuts made in the transit program in FY 1982;

4. Maintenance of existing and planned services is the fundamental objective of the industry, an objective that will be critical in support of national economic recovery;

   The industry will continue doing everything in its power to reduce the demand on public resources, but

operators and state and local government officials cannot be expected to go it alone.

The second enclosure provides excerpts from only a few of the letters received by APTA from transit managers around the country on the impact of the Administration's budget proposal. There should be no doubt that the concerns expressed by the transit industry and echoed by local officials around the country are indeed real and imminent.

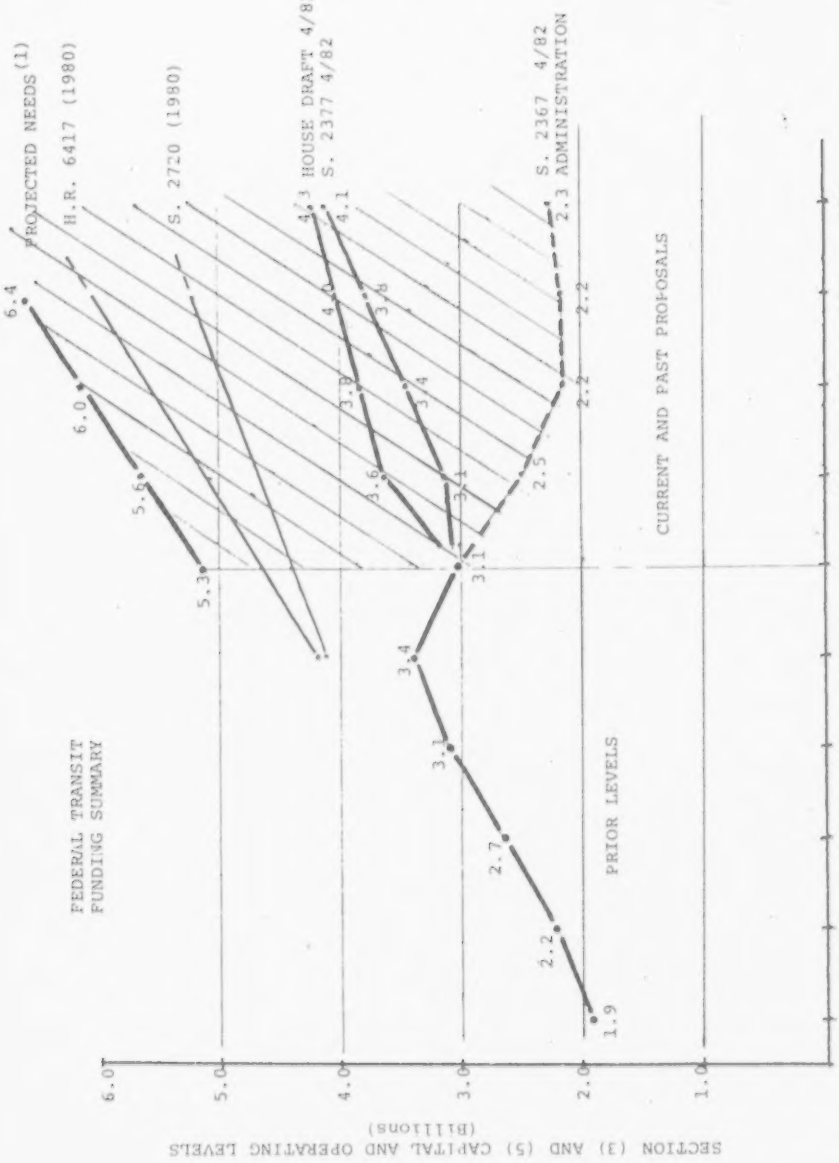
We appreciate the opportunity to provide the Subcommittee with these additional insights and urge you to provide appropriations that will strongly reaffirm the long-standing federal commitment to public transportation at this critical time.

Sincerely,

Jack R. Gilstrap

Enclosure

Attachment



(1) Based on estimated 1982 capital and operating costs minus all non-federal revenues, both escalated 7%/year for inflation;

THE IMPACT OF ELIMINATION OF SECTION 5 AND SECTION 18 OPERATING ASSISTANCE: Selected Comments from Medium and Smaller Communities

The following comments were exerpted from letters received by APTA in response to a survey of transit properties conducted in April, 1982.

Sioux Falls, South Dakota

"Given this spiral of increased fares and reduced service, by 1990 the City of Sioux Falls, South Dakota, may well find itself with a transit system that doesn't go anywhere, for a base fare of $2.50. Thus, effectively eliminating mass transit in the City of Sioux Falls."

Columbus, Ohio (Ohio DOT)

"Currently we have 17 systems receiving Section 5 operating assistance and 19 Section 18 properties in Ohio. In our opinion, nine of the Section 5 systems (53%) and 11 of the Section 18 systems (61%) could not survive the cutoff of Federal operating funds."

Battle Creek, Michigan

"In fact, the Battle Creek Transit System may cut out all operations as early as July, 1983. If we are not successful in increasing or even maintaining sufficient operating funding, we will cease operations."

Saginaw, Michigan

"It is inevitable that the total loss of operating assistance could mean the end of mass transit in Saginaw."

Waco, Texas

"My opinion is, that when federal operating assistance is withdrawn in 1985, our system if retained, will be so reduced in scope that efficiency would be questionable. If so, a system shut down is expected."

Erie, Pennsylvania

"The City and County are both in financial difficulties and we doubt very much if they will meet our 1982 funding. They have practically told us that they will not raise our funding and if this happens Erie will be out of business in fiscal 1984."

West Palm Beach, Florida

"We are now faced with the immediate realization that public transit in Palm Beach County could disappear from our streets by 1985 and more probably by 1984."

Topeka, Kansas

"I know that within a very short period of time, we would start to decrease our service, which would lead ultimately to the death of a transit system that has been in the Topeka area for well over 100 years."

Bellingham, Washington

"The initial phase would reduce service output by 33 percent. The second phase would further reduce us another twenty-five percent which would place us back to the 1960's in terms of both service and ridership."

"The possibility of total closure, while not anticipated at this point, would become a hard consideration during phase two since with decreased ridership comes decreased public support and this is especially critical with all the smaller systems such as ours."

Ypsilanti, Michigan

"The total loss of Federal operation assistance would result in the following:

--Ridership must increase by one hundred twenty percent (120%) from 3 million to 6.6 million annual riders at current fare levels.

--Base fares must increase by seventy-five percent (75%) from sixty cents (60¢) to one dollar five cents ($1.05) with no decrease in ridership.

--Service hours must be reduced by twenty-three percent (23%) or the equivalent of all evening, Sunday and elderly and handicapped dial-a-ride service."

Lexington, Kentucky

"As to what the total loss of federal operating assistance will do, you have to only imagine the loss of one-third of your operating budget and the net results."

Brockton, Massachusetts

"The grim statistics are as follows:

--In fiscal 1983, a 20% service reduction resulting in a ridership loss of equal magnitude.

--By fiscal 1985, a 50% service reduction and a 60% fare increase resulting in a ridership loss of 50% or greater."

Decatur, Illinois

". . .if the current plans for a phase-out of operating assistance do become a reality, Decatur will exhaust all federal operating monies by March 1, 1984. At that time, the local tax levy would have to be increased 6 times (from $125,000 to $750,000) to make up for the loss of federal funds."

Johnstown, Pennsylvania

"Should President Reagan succeed in his program to eliminate operating funds by 1985, the effect on mass transit in Cambria County will be catastrophic. It will mean reducing service to the point where the Authority would no longer be serving the community. Particularly hard hit would be the 600,000 senior citizens we transport each year; the 2,000 wheelchair passengers, and 25,000 handicapped half-fare passengers."

Bethel, Vermont

"The effect of the Reagan Administration's proposed gutting of the S.18 Program can be visualized as simply as cutting out 40 pounds from a 120 pound man. The only prospect can be terminal."

McMinnville, Oregon

". . .the impact to our program is that it will discontinue entirely, due to the fact there is no other source of funds to run our Public Transportation Program."

". . .if Section 18 monies for operating assistance is abolished, then so is our transportation program."

Boone, North Carolina

"In short, a reduction on the magnitude 40% or, the elimination of the UMTA Section 18 Program, would most assuredly signal the end for rural public transportation here in Watauga County."

Petersburg, West Virginia

"The proposed elimination of the Section 18 program in FY 1983 would have a devastating effect on the Potomac Valley Transit Authority. Without these funds the Transit Authority would cease to exist."

Sumter, South Carolina

"Section 18 assistance is the glue that holds this project together. Without federal assistance, we would no longer be in operation."

Olathe, Kansas

"Loss of Section 18 funds would necessitate a fare of $3.10 . . ."

"Realistically, I think the loss of Section 18 would mean the termination of service."

Monroe, Michigan

"The total loss of federal operating assistance for Lake Erie Transit by Oct. 1, 1982 (Section 18) probably means one simple thing. We'll be out of business by 1984 unless the State increases its contribution to transit by 50%."

Mankato, Minnesota

"Federal funding is essential to maintain even necessary levels of service in Mankato."

"Federal transit funding is one of the few federal programs that benefits both poor and rich, young and old, and wage earners as well as students."

"I only hope that some Congressmen in Washington, D.C. are able to understand how really large an impact elimination of transit funding will have on many of their constituents."

REDUCTION IN THE DISCRETIONARY ACCOUNT

Mr. GAMBACCINI. We support Secretary Lewis' proposals for a user fee and we also propose the retention of the safe harbor leasing provisions which are now part of the law.

We are concerned about the proposed reduction in the discretionary account. The discretionary account has permitted significant plateau improvements or improvements in plateaus in modernization, system extension, and new system development.

The administration proposals call for a significant reduction, indeed, a level that we think would be pitifully inadequate, $200 million a year, to cope with the ongoing plans of many, many cities around the country. There are some six cities that are currently in major active stages of development of new systems. There are nine that have major modernization programs underway, eight cities that have proposed extensions, and nine other cities that have advanced in plans for new systems.

We are not suggesting that given all the realities of the budget that all of these things can be funded at the level which had previously been attained in the earlier part of this decade, but we are making a plea that the extent of the cut or the magnitude of the proposed category of discretionary program be more realistically pegged to the needs out there.

We are, to stress once again, deeply concerned about the proposed complete phase-out of operating assistance as proposed by the administration. We think this will be catastrophic. It will mean the abandonment of many, many cities' entire public transit services and in almost all cases very substantial increases in fares and very, very substantial decreases in ridership.

Finally, we are concerned about program structure. The administration stresses as a matter of philosophy delegating to State and local interests greater flexibility and greater capacity to manage its own future. Yet, the rate and pace of proposed cuts in operating assistance and in the inflexible capacity to plan our own destinies as an industry severely limits that capacity of local flexibility. Indeed, it represents a virtually chaotic kind of response to plugging the dike as best we can in massive fare increases and massive service cuts.

Mr. Chairman, I think those highlight the principal points of our prepared statement, and if you have any questions we would be happy to try to answer them.

Senator ANDREWS. I appreciate that. My time is limited on questions because when the red light goes on your time is up. As long as the blue one is on then I can ask questions. Your whole statement will appear in the record.

But let me just ask one quick question because our time is over.

Mr. GAMBACCINI. Yes, sir.

Senator ANDREWS. Is it APTA's position that transit agencies can survive with the 1982 levels in operating subsidies in fiscal year 1983?

Mr. GAMBACCINI. Everything is relative. It is our position that that would permit us to hold things together. It will still, as I indicated in the statement, represent sizeable fare increases and some service cuts, but at least it will be a lesser order of disorder than would be the case if it were $500 million lower as proposed in the administration's position.

It is significant to note that we experienced two sizeable cuts in fiscal year 1982 as against what had been in the authorizing bill a substantial proposed increase. So it is a matter of degree and we are saying that we should at least hold to the 1982 level at a minimum.

Senator ANDREWS. Thank you very much.

Mr. GAMBACCINI. Thank you very much, Mr. Chairman.

PREPARED STATEMENT

Senator ANDREWS. Your prepared statement will appear in the record at this point.

[The statement follows:]

STATEMENT OF LOUIS J. GAMBACCINI

APTA Vice President for Government Affairs
Assistant Executive Director and Director of
Administration, Port Authority of New York
and New Jersey

Thank you Mr. Chairman, and good morning. I am Louis J. Gambaccini, APTA Vice President for Government Affairs and Assistant Executive Director of the Port Authority of New York and New Jersey.

APTA appreciates the opportunity to appear before the Subcommittee to discuss the current transit needs of the nation and to emphasize the importance of a continuing federal role in meeting these needs.

This is a very critical juncture for public transit in America. The reauthorization and appropriations processes for the federal transit program provide an important opportunity to reaffirm and improve a highly successful 17-year intergovernmental partnership. However, in addition to this opportunity, the prospect of major changes in the federal role also carries with it potentially harmful consequences, particularly if federal support is to be greatly curtailed as proposed by the Administration in its FY 1983 budget.

I would like to briefly outline for the Subcommittee the issues that we feel are of paramount importance this year.

1. Adequate Funding Levels

A major objective of our industry is to ensure that the federal transit program is funded at levels that can maintain our present transit infrastructure and allow planned projects to proceed. This is vital to national economic stability and recovery. Changes in federal transit funding that would precipitate the decline and dissolution of what has become a fundamental public service are unacceptable and unwise.

We strongly urge you to embrace this objective of maintaining adequate funding levels as you deliberate on new appropriations for the transit program.

Currently, APTA has projected a $13.5 billion annual capital and operating requirement for fiscal 1983. The industry's estimated non-federal revenues are $7.8 billion. The result is a $5.6 billion gap to maintain current and already planned systems and services. The overall $3.2 billion program level proposed in S. 2377, Senator

D'Amato's bill that is now before the Senate Banking Committee, represents an important step in meeting these needs. In contrast, the funding levels proposed in the Administration's FY 1983 budget fall far short of addressing fundamental public transit needs. The FY 1983 budget proposes:

--a 7% reduction in Section 3 capital assistance;

--a 38% reduction in Section 5 operating assistance;

--elimination of Section 18 small urban and rural funding;

--a slight increase in Section 5, Tier IV bus capital funding.

The reduction in operating assistance comes largely at the expense of small systems; Tier I of Section 5 is reduced from $788 million in FY 82, to $440 million in FY 83, a 44% decline. It is the smaller systems that depend most on federal assistance, and the areas that they serve which have shown the greatest population and ridership gains in recent years. Recent APTA surveys have shown that many of these systems will simply shut down under the FY 1983 budget proposal.

The Administration's new legislative proposal, S. 2367 now before the Senate Banking Committee, provides no relief and in many respects makes the situation worse. It should be kept in mind that transit funding was cut twice in FY 1982. Additional major cuts in FY 1983 are both unwarranted and unfair.

Even if program funding is held at FY 1982 levels, as proposed in Senator D'Amato's bill, the current pattern of major fare increases and service reductions will continue, and may still compromise our basic objective.

Consequently, new sources of federal support will continue to be critical and we urge adoption of Secretary Lewis's user fee proposal. In addition, we strongly urge retention of the safe harbor leasing provision for transit, enacted as part of the Economic Recovery Tax Act of 1981.

Safe harbor leasing for transit is a program that works, is in place today, and on which many public transit systems are relying. It has already been used by at least 14 public transit systems, and many more systems have altered their equipment purchase plans in order to use it in the future, if given the opportunity. Safe harbor leasing is a small but significant way of making up some of the ground lost in the recent cutbacks in direct federal assistance.

Without question, the Administration's proposed 1983 budget will prove devastating to the nation's transit infrastructure, particularly in smaller areas, and will frustrate our attempts to promote economic growth and recovery.

2. Discretionary Program

Another principle concern shared by the industry is the retention of a sizeable discretionary account. We feel very strongly that the discretionary capital account must be maintained at a level adequate to support continued modernization, system extensions, and new system development as well as extraordinary bus capital needs. Unfortunately, the bill introduced by the Administration proposes a complete prohibition on new starts and extensions. Also, it is likely that the $200 million discretionary account they propose will be inadequate to meet even major bus and rail modernization needs.

The discretionary account must be adequate to fund the systems now under development in Miami, Buffalo, Atlanta, Detroit, Los Angeles, and Portland. In addition, local officials around the country must be allowed the continued flexibility to implement cost-effective new systems, major extensions, and modernization programs.

Major modernization projects are now proposed in: New York - New Jersey, Chicago, Philadelphia, San Francisco, Boston, Pittsburgh, Baltimore, and Cleveland. Extensions are planned in: New York - New Jersey, Philadelphia, Detroit, San Francisco, Boston, Pittsburgh, and Cleveland.

Planning for other new systems is now underway in: Dallas, Houston, New Orleans, Rochester, Denver, San Jose, San Juan, Honolulu, and Sacramento.

These projects will be vital in providing adequate mobility and promoting economic growth and stability in both older, transit-intensive communities as well as in the rapidly growing areas of the country.

3. Continued Operating Assistance

Another vital issue to the industry and communities it serves is the retention of adequate federal support for transit operations. The Administration's proposed phase-out of operating assistance will seriously damage the nation's transit systems and services, particularly in medium and small urbanized areas.

While the Administration voices strong concern for local flexibility, the lack of sufficient support for operations greatly reduces local discretion and decision-making and threatens the continued existence of many smaller systems. The capital and operating needs of the transit industry should not be viewed as independent, and assigned to different levels of government. The federal contribution to operating costs must be maintained and allowed to grow along with overall program levels if federal capital investments are to be put to effective use. Should it be necessary to cap federal operating assistance, the approach must reasonably provide continued adequate support for the nation's smaller systems.

4. Program Structure

The needs of the industry are diverse and vary considerably by city size and mode. The federal program must continue to reflect these basic differences in its allocation mechanisms and provide adequate levels of support to meet varying needs. It will be particularly important to ensure continued capital and operating support to small urbanized areas as well as to small urban and rural recipients of Section 18 funds. Services in these areas will be seriously jeopardized if funding levels are greatly reduced and program flexibility restricted. Without the continuation of full funding in these areas, the federal transit program may rapidly evolve into a "large city" program, and we seriously question whether this is the direction the federal government should be going.

In summary, I believe the budget proposed by the Administration will have dire consequences for the nation's transit infrastructure. In contrast, S.2377 now under discussion within the Senate Housing and Urban Affairs Subcommittee is an important expression of what should be the continued federal role in public transportation.

Thank you. I would be happy to respond to any questions that members of the Subcommittee may have.

STATEMENT OF ERIC L. BERNTHAL, PRESIDENT, WASHINGTON METROPOLITAN COALITION ON AIRPORT PROBLEMS, CAP

Senator ANDREWS. Our next witness is the Washington Metropolitan Coalition on Airport Problems, CAP as they call them, represented by Mr. Eric Bernthal, the President of CAP.

You may proceed, Mr. Bernthal and I will give you a green light.

Mr. BERNTHAL. CAP is an umbrella organization of more than 100 civic and citizens groups and associations concerned about the environmental problems associated with the operation of Washington National Airport.

We come before this committee today to urge you to reject the $10 million appropriation requested by the Federal Aviation Administration for construction of safety overrun areas on the main jet runway at National Airport.

Mr. Chairman, few people care more about National Airport than we do. Like members of your committee, we fly in and out of National all the time. Unlike some others, about 175,000 of our members also live under National's flight paths. Like you, we are literally banking our lives on the safety of operations at National every day.

It is for that reason that it is especially difficult for us to ask that you not appropriate funds for a project which purports to rectify so serious a safety shortcoming at National. But the simple fact is that this is no solution for the safety problems there.

A few more feet of concrete simply doesn't address the real risks that each of us faces every time we use National. The main jet runway is the shortest and most congested of any major airport in the United States. The approach path to that runway has been singled out by the Airline Pilots Association as the most difficult in the Nation.

OVERUSE OF NATIONAL AIRPORT

For years pilots and aviation experts have decried the dangerous overuse of National. And since we last testified on this very proposal, the tragic Air Florida crash has claimed more than 70 lives.

Now, before the investigation into that crash is over, before hearings into the safety of National itself have even begun, the FAA asks for these funds. Just at the time that DOT is trying to induce the airlines into switching to Dulles, this request sends a signal to National's users that it will be business as usual in the future. Budget-cutting aside, the timing for this request couldn't be worse.

As an aviation publication recently noted in an article sharply critical of safety at National, "Sometime soon, the FAA, Congress, and the airlines are going to have to face up to the realization that maximum convenience and good sense aren't always compatible."

The time has come not to squander precious Federal funds on jerry-rigging runways at National, but rather to put funds toward improving Dulles' ground and access facilities so that the jets, which were never designed for National in the first place, can go where they belong. Every time a jet aircraft operates out of Dulles instead of National, safety at both airports is enhanced.

Since traffic cannot go to Dulles overnight, we would perhaps support this appropriation anyway, since safety at National is so marginal. Yet, the irony is that these overruns may eliminate the one thin reed of safety on which National has operated for years.

As the former head of the National Transportation Safety Board once observed, the margins for error at National are so narrow that it is actually safe. Pilots are so keenly aware of the airport's shortcomings that they are really on their toes when they use it.

If one pilot is lulled into a false sense of security by these overruns, he may find out, as Air Florida did, how little tolerance for error National really has. The overruns can only create an illusion of safety. They cannot eliminate the Washington monument near the end of the runway, or narrow the obstacle course between the monument and Rosslyn's high rises. They cannot ease the severe, sharp bank onto Runway 18 less than a mile from touchdown or create a parallel runway so that takeoffs and landings can be segregated.

And if this overrun project induces the FAA Administrator to succomb to industry pressure and let larger jet aircraft into National, we will all be less safe as a result.

The answer at National is not more expenditures for overruns. It is to get the jets out of National as quickly as possible and to limit operations there to the type of aircraft for which National was designed. No more paving over of the Potomac. No more funds for National. Let's get the jets out of there now.

Thank you. That completes my statement.

Senator ANDREWS. Thank you very much.

POSSIBILITY FOR SERIOUS ACCIDENTS

As you know, the Transportation Department justified their overruns on the runway by pointing out that during wet weather in October 1976 a plane landing from the south failed to stop on the paved surface of the runway and came to rest a few feet from the embankment. In May 1977 a plane departing from the south which aborted takeoff overran the end of the runway and also came to rest a few feet from the edge of the embankment. Fortunately, these incidents didn't result in tragic accidents.

With air carrier operations close to 200,000 a year, and statistically one overrun or undershoot incident for each 550,000 landings, the possibility of a serious accident makes it advisable that you have got to do something.

Mr. BERNTHAL. Yes; and the question is, What do you do?

Senator ANDREWS. Might I point out that I live under that noise crescendo that comes out of National Airport. I don't like it any more than anybody else. Drew Lewis lives immediately above me and he catches it, too, and he is the Secretary of Transportation.

Let me also point out that one of the strange things we notice is that the very people who protest the continued use of National are the same people who protest building I–66 and building rapid ways of getting out to Dulles. Dulles is not infeasible because it is a distance away.

Dulles is infeasible because you don't know at any given point in time whether it will take it you 2½ hours to get to Dulles or whether it will take you 40 minutes. If you knew you could count on it in 40 minutes, I think more flights would be moved to Dulles.

Again, it is not going to happen next year or the year after. It is going to happen when we get Metro going out there and it is going to happen when there is a direct interstate limited access route to get out there so you can depend on schedules and not miss your planes. Until that happens it would be unconscionable to not give that extra amount of safety I would think.

Mr. BERNTHAL. Mr. Chairman, first of all, let me assure you that our organization, which represents as an umbrella group of over a hundred citizens' associations throughout the area, has never opposed the I–66 connector, and, in fact, has lobbied heavily for it and actively for it. We will welcome the day it is completed. So we are not the same people.

Second, I think that the question of safety at National is one that troubles all of us greatly. I guess the only analogy I can give you is that we all agree what the problem is and the question is, What is the solution? It seems to me that if you had cars going through a city residential street at 60 miles an hour on a daily basis that the answer would not be to appropriate funds to repave the city street or even to put a guard rail in. The answer is to get the cars out of there, that that street wasn't designed for that kind of use.

That is exactly what we have with National. It was built in 1940 to handle propeller driven aircraft. It was never designed for the jet traffic that it has.

So the answer, it seems to me, is not to put in a safety overrun, which will simply induce more traffic into National. As you well know, National Airport is the most political airport in the world.

CAPPING GROWTH AT NATIONAL AIRPORT

Senator ANDREWS. You also know there is a cap on landings and takeoffs from National that has been agreed to and this subcommittee, certainly its chairman, supported that cap against a good deal of congressional opposition, if you recall. And it is the first time we have been successful in getting that in. So we are moving in the direction that you are looking toward.

Senator Warner and Senator Mathias were two of the major supporters for my action in capping the growth at National Airport. We are with you. All we are doing is facing the situation as it exists and I am concerned about what is going to happen in the next 5 to 10 years while we are phasing over to Dulles.

Mr. BERNTHAL. Mr. Chairman, the pilots have an answer. Their answer would be to shorten the runway right now and give you the safety overruns that the FAA desires and requires at every other airport and just take the jets out and move them to Dulles. That is what the pilots are saying. As a matter of fact, they said that before the National Transportation Safety Board. It is a recommendation which seems to have disappeared so far.

Senator ANDREWS. Oh, no, it hasn't disappeared. Dulles is a nonaccess airport because there is no way you can get out there. It has taken me 2½ hours to get out to Dulles on certain occasions. Northwest has just scheduled Dulles to Chicago flights in response to a comment I made to their top officials. They are going to try it and they are going to see how the public accepts it. If they begin using those flights there probably are going to be more of them out of Dulles.

Dulles is a fantastic airport, you are right, but it is isolated, and unless you can get the passengers from Washington to Dulles, we can talk all we want to about the desirability, but we need to have a way to get there that is dependable and time certain.

FUNDING FOR I-66 CONNECTOR

Mr. BERNTHAL. Well, of course, the I–66 connector that you are talking about should be completed, and I think even the worst estimates are within 2 to 2½ years. If this committee would signal the Department of Transportation that funding for National will be phased down once that connector is completed, I think that we would have our mutual goal achieved.

Senator ANDREWS. It is kind of like which comes first, the chicken or the egg. This committee will probably take a close and interested look at funding some $2 million for the final increment of construction on that 2½-mile road connecting Dulles with Interstate 66. I think we are going to take a look at how that works and what the traffic flow actually is and once we have established that then we can move forward.

We do appreciate your testimony.

Mr. BERNTHAL. Thank you, Mr. Chairman.

Senator ANDREWS. You have made some excellent points and I am sure you recognize the problem that those of us have on the committee and that the Department of Transportation has in taking a look at this airport while it is trying to phase it out.

Mr. BERNTHAL. We are very sensitive to it, Mr. Chairman.

Senator ANDREWS. This is the first, might I add, Secretary of Transportation who has done anything at all constructive along the lines of the suggestions that your organization has made for many years.

I am probably the first chairman of this subcommittee who has done anything constructive in line with the pleas of Senator Warner, Senator Mathias, and Senator Byrd as well, to move in the direction of better access to Dulles. So we get your message and we are moving on it.

Mr. BERNTHAL. I would just like to close by saying on the record how much we appreciate everything that has been done, not only by you and Senators Warner and Mathias, but also by Secretary Lewis. We are painfully aware of the sensitivity that has finally been shown. It has taken 15 years to get started on this problem. All we are asking is that you stay with it and accelerate it where you can, accelerate the transfer process as quickly as you can for safety's sake.

Senator ANDREWS. Congress may seem too glacial, but every now and then it does turn out to be responsive.

Mr. BERNTHAL. Thank you, Mr. Chairman.

Senator ANDREWS. Our next witness is the Virginians for Dulles and it is going to be represented by Mrs. Sharon Donovan.

Welcome to the committee, Mrs. Donovan.

STATEMENT OF SHARON DONOVAN, SECOND VICE PRESIDENT, VIRGINIANS FOR DULLES

Mrs. DONOVAN. Thank you.

Mr. Chairman, my name is Sharon Donovan and I represent Virginians for Dulles which is a citizens' association created to encourage balanced use of Dulles International Airport, along with National and Baltimore-Washington Airports.

It is also our purpose, as it is with CAP, to speak out on the serious and dangerous overutilization of National Airport that now exists. We represent citizens also that live throughout the Metropolitan-Washington areas.

I am here today to testify about our concern over the FAA's budgetary appropriation request of the $10 million to extend the safety overrun area at the North end of Runway 18–36 at Washington National Airport to 750 feet.

We do not support the FAA's choice of alternative I–5 as stated in their final environmental impact statement as the wisest alternative. Instead, we believe that alternative 4, as described in the final environmental impact statement, offers a much safer, logical, and more conservative use of taxpayers' money.

In fact, we believe strongly, and please let me emphasize this, that the FAA sacrifices public safety at National Airport by selecting alternative I–5 instead of alternative 4.

What the FAA has done is select alternative I–5 that costs $10 million, it takes 24 months to build, it creates 750 feet of safety overrun, and when finished still will not meet their own FAA recommended guidelines of 1,000 feet of safety overrun.

Virginians for Dulles opposes that choice and recommends that the Senate appropriate only $3 million for alternative 4 which costs $3 million, it takes only 12 months to build and, most importantly, provides the complete 1,000 feet of safety overrun meeting FAA guidelines.

It is clear that the FAA does not have safety as their top priority with regard to this overrun project. It is clear that they do not intend to offer the traveling public maximum safety at National Airport and we think this is a mistake. They are sacrificing safety for convenience and charging us $10 million.

In the final environmental impact statement the FAA states its purpose as follows: "To improve the chance of recovery when overrun incidences occur, to bring National into better compliance with FAA guidelines, and to provide an increased level of safety."

With the tragedy of Flight 90 so vivid in our memories why do we not see the FAA using goals of complete compliance with FAA guidelines for safety overruns instead of better compliance?

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Why is the goal stated to improve the chance of recovery when overrun incidents occur when it should insure maximum chance of recovery when overrun incidents occur?

Why do they not select an alternative that is consistent with their own FAA guidelines for safety overruns?

Why did they select an alternative that offers greater margin of safety when they could select an alternative that offers the greatest margin of safety?

The FAA's choice of alternative I–5 clearly, in their own words, in fact, demonstrates their sacrifice of safety considerations for the convenience of maintaining National Airport exactly as it is now. National should not operate as it is now. It is too congested for safe operations.

Further, they completely ignore the results of recent surveys that show a much greater demand for service at Dulles International.

According to the FAA, alternative 4 which shortens the main runway 800 feet, it would also somewhat alter the equipment, carryload, and flight perimeter. Yet, nowhere in the final environmental impact statement does the FAA address exactly what those changes would be.

They leave many questions unanswered, the most important one being the possibility that a change would mean a safer airport, something welcomed by both air travelers and the Airline Pilots Association.

It does not make sense to build a 750-foot overrun for $10 million, that takes 24 months to complete, and which does not meet the FAA safety guidelines, when they have the option to build a 1,000-foot overrun for $3 million in 12 months and provide maximum safety.

In the matter at hand, safety overruns, Congress must come to terms with what National is and what it always will be, given its location, facilities, and land area. It can never be more and to be safe it must be made to be less. Does Congress have the courage to face the very real concern voiced by our community?

It is prudent, too, that when President Reagan and Congress are trying so hard to cut back spending and waste, costs be considered. What is now an FAA request of $10 million may not remain so with future cost increases in overruns.

Virginians for Dulles appeals to the U.S. Senate to demonstrate good sense, as they have in the past, and appropriate only $3 million as an alternative for alternative 4.

Thank you.

Senator ANDREWS. Thank you very much for an excellent statement.

[The statement follows:]

STATEMENT OF SHARON DONOVAN

In the Matter of
Runway Safety Area Modifications' Funding
At Washington National Airport

April 28, 1982

COMMENTS OF VIRGINIANS FOR DULLES

Presented by Mrs. Sharon Donovan,
Second Vice President

Definition of Virginians for Dulles

Virginians for Dulles is a citizens' association created to encourage balanced use of Dulles International Airport, along with National and Baltimore-Washington Airports. It is also our purpose to speak out on the serious and dangerous over-utilization of National Airport that now exists. We represent citizens that live throughout the metropolitan Washington area.

Definition of the Issue

Our concern in the matter of the Department of Transportation's budgetary appropriation is the request by the Federal Aviation Administration (FAA) for funds to build its proposed Runway Safety Area Modifications at National Airport.

FAA wishes to lengthen the safety overrun at the end of National's main jet runway 18-36. This proposal has been outlined in their Final Environmental Impact Statement (FEIS) published in April of 1982. Their stated purpose for this project as given in the FEIS is as follows:

> "... certain features can be included in the design of airport facilities so as to improve the chance of recovery when these overrun incidents do occur"... and
>
> "... to bring National Airport into better compliance with FAA guidelines"... and
>
> "... provide an increased level of safety for air carrier operations..."

The FAA has selected Alternative I-5, costing $9.4 million and taking 24 months to build, as their choice of alternatives from the FEIS to meet their stated goals. This alternative calls for filling in 7.4 acres of Roaches Run, a tributary of the Potomac River, thereby expanding the physical plant of the airport. This alternative extends the existing 200 feet of overrun on the North end of the runway an additional 550 feet, creating a total runway safety overrun area of 750 feet. Improvements would also be made at the South end of the runway on land that already exists.

Virginians for Dulles opposes the choice of Alternative I-5 and recommends that the FAA choose Alternative IV, costing $3 million and taking 12 months to build. We ask that the Congress consider granting only this smaller amount in the Transportation Department's budget.

FAA Sacrifices Public Safety at National Airport

The FAA, in its request to Congress for funding the $ 9.4 million proposal, does not address the primary safety hazards existing at National, and the Virginians for Dulles believe the public and the Congress should be so informed.

Some of our concerns include the following:

+ National Airport has the shortest runway of any major jetport in the nation. It is probable that Runway 18-36 carries the heaviest volume of traffic of any air carrier runway in America.

  In order to make Runway 18-36 (now 6,869 feet long) comparable to the runways at Dulles, it would have to be extended 8/10th of a mile into the Potomac, not including the safety overrun areas.

  For the Congress' information, we have attached several tables to our testimony, one of which indicates "worst case" field lengths needed for takeoffs and landings by various air carrier jets. You will notice there is only a marginal interval of safety indicated for many of the air carrier types now using National.

+ National's North approach is not equipped with any Instrument Landing System (ILS) and cannot be, due to its twisting nature, passing closely by or over tall buildings and monuments.

+ National is sited in the midst of our nation's capital, a densely-populated urban area, and its flight paths traverse schools, churches, hospitals, universities, homes, high rises, parks, bridges, and treasured national monuments and historic buildings.

If the FAA's stated purpose is one of safety, why then do they not choose the safest alternative for National? Notice in the FAA's stated purpose of the overrun modification in the FEIS the words "Improve the chance of recovery when overrun incidents occur", or "Better compliance with FAA overrun guidelines" and "Greater margin of error".

With the fate of Flight 90 still in all of our minds, why then do we not see the FAA using the stated goals of "Complete compliance with FAA guidelines for safety overrun areas" instead of "Better compliance"? Why is the stated goal to "Improve the chance of recovery when overrun incidents occur", when it should be to "Insure the maximum chance of recovery when overrun incidents occur"? Why do they not select an alternative that is consistent with their own FAA guidelines for safety overruns? Why do they select an alternative that offers a "Greater margin of safety" when they could select an alternative that offers the "Greatest margin of safety"?

The FAA's choice of Alternative I-5 clearly, in their own words in fact, demonstrates their sacrifice of safety considerations for the convenience of maintaining National Airport exactly as it is now, without regard to the many recent publicly-sponsored surveys which indicate a greater demand for flights at Dulles and BWI. On the one hand, the taxpayer is asked to spend millions building Interstate-66 inside the D. C. Beltway along with its Connector to the Dulles Access Road to allow greater usage of Dulles; and on the other, to spend millions to do a "patch" job at an outmoded, unsafe airport whose major safety hazards will remain untouched.

It is clear that the FAA does not have safety as their top priority with regard to the proposed safety overrun project. It is clear they do not intend to offer the traveling public maximum safety at National Airport.

The Virginians for Dulles' choice regarding the proposed overrun project is Alternative IV, which calls for shortening Runway 18-36 by 800 feet. According to an unnamed source at the FAA, this in no way would affect the service or the safety of National Airport. The FAA's FEIS notes that the air carriers would be more restricted in the type of equipment they could use, the payloads carried, and the destinations served (p. IX-10).

The problem the Congress faces is that National Airport is too small and antiquated for the type of equipment and volume of operations it now serves. In the matter at hand, the safety overruns, the Congress must come to terms with what National is and what it will always be-- given its location, facilities, and land area. It can never be more, and to be safe, it must be made to be less. Does Congress have the courage to face this very real concern voiced by the Washington community?

How much sense does it take to see what a waste of taxpayers' money it is to spend $10 million on an overrun that when finished still does not meet FAA guidelines, when for $3 million you can build an overrun that will meet the guidelines. The public will not thereby be inconvenienced, because it has already provided a superb facility at Dulles Airport, 30 minutes away, and used at only 30 percent of capacity.

It is prudent, too, when President Reagan and the Congress are trying so hard to cut back spending and waste that costs be considered. What is now an FAA request for $10 million may not remain so with future cost increases and overruns.

The Virginians for Dulles appeals to the U. S. Senate to demonstrate their good sense and appropriate only $3 million designated for Alternative IV.

Table 1: AIRPLANE MODELS BY TAKE-OFF AND LANDING SPACE REQUIREMENTS,[1/] AIR RANGE, PASSENGER CAPACITY, AND NUMBER OF ENGINES

Model	Passenger Capacity	FAA Takeoff Field Length (Feet)	FAA Landing Field Length (Feet)	Max. Still Air Range (Miles)	Number of Engines
727-100	70-131	7,950	4,800	3,000	3
727-200	145	8,500	5,300	2,400	3
737-100	172	5,700	4,000	1,300	2
737-200	115-130	6,300	4,100	2,300	2
757	178-196	6,670	5,200	2,500	2
767-200	211-255	6,700	4,700	3,200	2
DC9 S10	90	6,500	4,470	2,040	2
DC9 S20	90	5,080	3,800	2,200	2
DC9 S30	115	7,410	3,900	2,310	2
DC9 S40	125	7,410	4,070	2,700	2
DC9 S50	139	8,300	4,230	2,550	2
DC9 Super 80(81)	167	7,190	4,220	3,000	2
DC9 Super 80(82)	167	7,140	4,220	2,900	2
*DC10 S10	250-380	10,500	5,200	6,350	3
*DC10 S15	250-380	7,500	5,250	6,295	3
*DC10 S30	250-380	10,280	5,350	7,260	3
*DC10 S40	250-380	10,280	5,480	7,080	3
*L1011-1	250-400	7,960	5,700	3,450	3
*L1011-100	250-400	10,730	5,800	4,250	3
*L1011-200	250-400	8,070	5,800	4,250	3
*L1011-500	230-300	9,330	6,430	5,900	3

1/ Worst case.
* Wide-body airplane.

Source: Aviation Week and Space Technology, March 3, 1980, pp. 128-129.

Table 2: 1980 AVERAGE AIR CARRIER DEPARTURES/ RUNWAYS 6000 FEET+

Airport	Average Air Carrier Departures Per Runway
Chicago ORD	56,866.2
Atlanta ATL	88,943.7
New York JFK	21,750.5
Denver DEN	39,529.5
Dallas-Ft. Worth DFW	55,668.0
Boston BOS	22,952.5
Los Angeles LAX	62,438.0
Washington DCA	103,445.0

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Sources: Derived from AIRPORT/FACILITY DIRECTORY, U. S. Government Flight Information Publication, Effective 21 Jan. '82, Washington, D.C.: U. S. Department of Commerce, National Oceanic and Atmospheric Administration, National Oceanic Survey, Volumes on Northeast, Southwest, South Central, East Central, and Southeast United States; and AIRPORT ACTIVITY STATISTICS of Certificated Route Air Carriers, 12 months ending December 31, 1980, Washington, D.C.: Civil Aeronautics Board and Federal Aviation Administration, U. S. Department of Transportation, Table 3, pp. 14-15.

Table 3: RUNWAY FIELD LENGTHS

Data taken from series of books: AIRPORT/FACILITY DIRECTORY, U.S. Government Flight Information Publication, Effective 21 Jan. '82, Washington, D.C.: U.S. Department of Commerce, National Oceanic and Atmospheric Administration, National Oceanic Survey. Approved by FAA and Department of Commerce.

From Northeast U.S. Volume

Airport	Runway #	Runway Length (Feet)
Boston/ Logan Intn'l	15R-33L	10,081
	04R-22L	10,001
	04L-22R	7,860
	09-27	7,000
	15L-33R	2,468
New York/ Kennedy Intn'l	13R-31L	14,572
	04L-22R	11,351
	13L-31R	10,001
	04R-22L	8,400
	14-32	2,560
Fairfax/ Dulles Intn'l	01L-19R	11,501
	01R-19L	11,500
	12-30	10,001
	18L-36R	9,126
	11L-29R	3,080
Arlington/ National	18-36	6,869
	15-33	5,212
	03-21	4,905

From Southwest U.S. Volume

Los Angeles/ LA Intn'l	07L-25R	12,091 (closed till
	07R-25L	12,000 Jan.'83)
	06R-24L	10,285
	06L-24R	8,925
Denver/ Stapleton Intn'l	17L-35R	12,000
	17R-35L	11,500
	08R-26L	10,004
	08L-26R	7,926
	07-25	4,864

From South Central U.S. Volume

Dallas-Ft. Worth/ DFW Reg.	17-35R	11,388
	17R-35L	11,387
	13L-31R	9,000
	18R-36L	4,001

From East Central U.S. Volume

Chicago/ O'Hare	14RR-32L	11,600
	09R-27L	10,141
	14L-32R	10,003
	04R-22L	8,071
	09L-27R	7,416
	18-36	5,341

From Southeast U.S. Volume

Atlanta/ Hartsfield Intn'l	08-26	10,000
	09R-27L	9,000
	09L-27R	8,000

Table 4: AIR CARRIER DEPARTURES AND PASSENGERS

From AIRPORT ACTIVITY STATISTICS of Certificated Route Air Carriers, 12 months ending December 31, 1980, Washington, D.C.: Civil Aeronautics Board and Federal Aviation Administration, U.S. Department of Transportation.

From Table 3, pp. 14-15:

Airport	Total Aircraft Departures	Enplaned Passengers
Atlanta Intn'l	266,831	19,994,113
Boston (Logan)	91,810	6,844,951
O'Hare	284,331	19,228,275
Dallas-Ft. Worth	167,004	10,433,026
Denver Intn'l	158,118	9,615,785
L.A. Intn'l	187,314	14,157,305
NY Kennedy	87,002	9,119,472
NY LaGuardia	106,859	8,400,961
Dulles	15,774	1,107,966
National	103,445	6,648,087

LETTER FROM N. EDWIN DEMONEY, JR., PRESIDENT, ARLINGTON COUNTY CIVIC FEDERATION

May 4, 1982

Mr. James A. Wilding, Director
Metropolitan Washington Airports
Engineering Division
West Building
Washington National Airport
Washington D. C. 20001

Dear Mr. Wilding:

The Arlington County Civic Federation, at their regular meeting on May 4, 1982, approved the following resolution, in response to the Final Environmental Impact Statement for Runway Safety Area Modifications at Washington National Airport.

WHEREAS, both houses of the U. S. Congress are currently accepting comments on an appropriation request to spend $10,000,000 to fill in 7.4 acres of the Potomac River and to lengthen and improve runway 18-36 at National Airport; and,

WHEREAS, The National Capital Planning Commission is also currently reviewing this proposal as well as other capital improvements at National Airport, as part of a five-year plan, and they have requested our comments; and,

WHEREAS, the FAA's Final Environmental Impact Statement for that runway system extension has now been issued together with an invitation for comments; and,

WHEREAS, the Northern Virginia Planning District Commission is now reviewing both the capital improvements request and the E.I.S. and is accepting comments; and,

WHEREAS, about half the remaining $20,000,000 of the five-year plan is to provide a much thicker runway pavement than now exists, as well as to widen the taxiway and the aircraft holding apron, all of which had recently been declared unnecessary for current operations at National, but all of which together sound like preparation for wide-body aircraft use at National; and,

WHEREAS, the Arlington County Civic Federation has long been on record in favor of the deliberate transfer of air operations from over-utilized National to other currently available but under-utilized regional airports in the interest of improving both the safety and the environment of the citizens of our county; and,

WHEREAS, the Arlington County Civic Federation has long been on record as opposed to further filling in of the Potomac at National, to the use of National by wide-bodies, and to capital expenditures for expansion of National:

NOW THEREFORE, the Arlington County Civic Federation resolves:

1. To support that part of the appropriation which would be used to replace the presently rigid steel posts now supporting runway lights with frangible posts.

2. To support that part of the appropriation that would be used to improve the safety overruns on such land as is already available at National.

3. To request a full 1000 feet of overrun space at each end of the runway, which is more than the FAA is asking, even though it is the present FAA standard, but to deny any support for filling in any further portions of the Potomac for airport use.

4. To urge the management of National to follow the highest safety standards possible within their limited space and to transfer all flights, which cannot be accommodated with complete safety in the space available, to our other regional airports as rapidly as is practical.

5. To adjust the types of aircraft allowed to use the airport to only those appropriate to use the airport.

6. To remind all those responsible for reviewing and approving federal appropriations, in this period of scarce federal funds, that it is more economical to use airport facilities that lie idle than it is to try to make a full-service airport out of under-sized National. Any federal capital improvement funds truly available and necessary for air traffic growth should be used at Dulles where the acerage to accommodate them already exists.

Sincerely yours,

N. Edwin Demoney, Jr./AH

N. Edwin Demoney, Jr.
President

BRIEF RECESS

Senator ANDREWS. As happened before, there is another vote on the floor. Before we bring the panel forward, I had better go over and vote.

[A brief recess was taken.]

Senator ANDREWS. The committee will come to order.

We now will hear a panel made up of Ed Johnson representing the Federal Highway Administration, retired employee; Mr. A. J. Dell'Isola, vice president and director, Value Management Division of Smith, Hinchman & Grylls Associates, Inc.; Robert Rossman of Kempter, Rossman International who couldn't appear today, as I understand it; and finally Harold Tufty, Federal liaison of the Society of American Value Engineers.

Gentlemen, you may proceed in any order that you choose. Let me assure you that your prepared statements will appear in full as though read in totality in the record. You may summarize them and leave what time we have to questions if you wish.

You may proceed.

VALUE ENGINEERING

STATEMENTS OF:

HAROLD TUFTY, NATIONAL DIRECTOR FOR FEDERAL LIAISON, SOCIETY OF AMERICAN VALUE ENGINEERS

EDWARD D. JOHNSON, FORMER COORDINATOR FOR VALUE ENGINEERING, FEDERAL HIGHWAY ADMINISTRATION [RETIRED EMPLOYEE]

ALPHONSE J. DELL'ISOLA, VICE PRESIDENT AND DIRECTOR, VALUE MANAGEMENT DIVISION, SMITH, HINCHMAN & GRYLLS ASSOCIATES, INC.

STATEMENT OF HAROLD TUFTY

Mr. TUFTY. Thank you, Mr. Chairman.

My name is Harold Tufty. I am a professional value engineer. This is known as a certified value specialist. I am here in my capacity as the national director for Federal liaison, which is a pro bono job, for the Society of American Value Engineers. We as a group are devoted to controlling costs.

My statement has two main points and I would like to summarize those, if I may.

The first main thing I want to touch on is what value engineering is and what happens during a VE review. Frequently engineers will say that we do this all the time. In fact, we find that that usually is not true. As a matter of fact, if some engineer has been through a value engineering 40-hour workshop he probably won't make that statement.

The second major area I want to talk about is some of the major misconceptions about value engineering. I want to give a little better idea of what it is and what it is not, what it can do and what it cannot do.

I would like to start first with a definition of value engineering as defined by the Society of American Value Engineers. The acronym for the group is SAVE.

It is a systematic application of recognized techniques which identify the function of a product or service, establish a value for that function and provide the necessary function reliably at the lowest overall cost.

In all instances the required function should be achieved at the lowest possible life cycle cost consistent with requirements for performance, maintainability, safety, and esthetics.

The term itself, value engineering, I should explain, is used in two very different contexts.

The one that we dwell on most here today is value engineering during the design process. This is a series of steps which I will touch on briefly and is the way that we generate most of our savings.

The second way you might run into the term "value engineering" is a value engineering change proposal which, in fact, is a contractor-oriented deduct-change order with some incentive sharing, usually a 50/50 relationship between the construction contractor and the owner.

It is the VE methodology and design that I would like to sketch a little bit more.

First of all, when a project has decided to have a VE study by whoever makes that decision, a professional value engineer, a CVS, will get together with the original designer and take a look at those high-cost areas in the design that represent probably 20 percent of the items but about 80 percent of the costs.

We will take a look and see which of those has the greatest potential for improvement. We will define these in very brief terms, usually two words. There is a conscious brain-storming effort at providing and finding other ways to perform that high-cost function. This is a brain-storming creativity session that is very pleasant.

Then we go and end up by doing a variety of sifting out of the best ideas and eventually end up with VE recommendations which the original designer and the owner either accept, or reject, or modify.

I know that my colleagues here will talk about the impact of these studies. So I will skip over that.

I would like to say that perhaps the term "value engineering" is one of our problems. Most engineers think they do it and they don't, and if you are not an engineer you might think it is for engineers only.

So I will conclude that summary, Mr. Chairman.

If I might, Mr. Rossman's statement had one point that I think neither of my colleagues have touched on.

Senator ANDREWS. Let me assure you that we will put his statement in the record following your three statements so that its text will be available for study.

Mr. TUFTY. Very good, sir.

PREPARED STATEMENT

Senator ANDREWS. Mr. Tufty, your prepared statement will appear in the record at this point.

[The statement follows:]

STATEMENT OF HAROLD G. TUFTY

NATIONAL DIRECTOR FOR FEDERAL LIAISON
SOCIETY OF AMERICAN VALUE ENGINEERS

My name is Harold G. Tufty and I am a professional Value Engineer, which is referred to as a Certified Value Specialist. I am here as the National Director for Federal Liaison, a pro bono position, for the Society of American Value Engineers.

My statement is devoted to two general areas. These areas are:

1- A broad sketch of what typically happens during a Value Engineering review, including a description of why it is something that is not "done all the time" by professional architects and engineers; and

2- Some of the major misconceptions about Value Engineering are identified in order to provide the Committee a better idea of what Value Engineering is . . . and what it is not.

Perhaps, before I continue, I should supply you a definition of Value Engineering:

It is defined by the Society of American Value Engineers as the systematic application of recognized techniques which identify the function of a product or service, establish a value for that function, and provide the necessary function reliably at the lowest overall cost. In all instances, the required function should be achieved at the lowest possible life-cycle cost consistent with requirements for performance, maintainability, safety, and aesthetics.

Also, the term "Value Engineering" can be heard in design and construction areas in two very different contexts.

1- The first use of the term and the one we dwell on in this statement is Value Engineering during design. It is the activity involving several architect and engineer professionals which utilizes a Value Job Plan, which I describe later.

2- The term "Value Engineering" is also used in the term VECP -- which means "Value Engineering Change Proposal." A VECP is ordinarily submitted by a construction contractor to the original designer/owner/user in which the

contractor says, in effect, if you make this change or that change in the drawings or specifications, then this will reduce the cost of the contract by a certain amount.

Ordinarily, the total amount of this reduction is shared equally by the owner and the contractor. In effect, a VECP is a contractor-originated deduct change order with an incentive sharing between the owner and the contractor.

The main thing I want to stress here is that a VECP ordinarily is not the result of the Value Engineering Job Plan methodology described as follows:

The Value Engineering Methodology As Applied To Construction.

1- In general, Value Engineering is applied only when top management wants it. I have never seen it spring, so to speak, from the ranks up; it is too time consuming and usually needs advanced budgetary authorization.

2- After management decides to conduct a VE study on a project (which even might be within budget and on schedule), a Certified Value Specialist (CVS) is usually contacted to review the project as far as it has developed up to that time. Depending upon the size of the construction project, this first review could take place within a month or so after the architect has been selected. Then, one or two subsequent 40-hour reviews would be conducted during the design process. Reviews take place during the course of design and, traditionally, do not slow the design schedule at all.

3- The CVS, with assistance from an updated cost estimate and in consultation with the project designers, identifies the half-dozen or so most-costly functional areas in the design. Then, with the aid of seasoned professional architects and engineers, we estimate which of these major areas has the greatest potential for improvement (the poorest value).

4- With the area of poorest value thus identified, the CVS assembles another team of professionals who practice in the various aspects of the area being VE-ed. For example, if a building's foundation seems disproportionally expensive, the team would probably consist of a structural engineer; a civil engineer; a mechanical/electrical engineer (if the utility hookups are complicated); a cost estimator; and

an architect or engineer who is familiar with what the building is eventually going to do.

5- This VE team probably will meet for a full week -- 40 hours. Having these senior professionals concentrate for this long period of time on a relatively narrow, however, exceptionally expensive portion of the design is an essential part of a VE study. This is a pool of talent that the original design architect/ engineer does not typically have readily available to him in time or manpower terms during the original design process. A/E fees cannot absorb this expenditure and that is why Value Engineering is a separate cost item in the design process.

I hope this illustration explains why we Value Engineers disagree with the professional architects and engineers who say of Value Engineering -- "We do it all the time." We know A/Es cannot afford the kind of review we're talking about. At the same time, I should say, we know that designers do make a sincere, professional effort to be cost effective. It is our fundamental premise that whatever the architects and engineers do during the normal course of design is good. It is just that VE is clearly another step . . . A step A/Es cannot afford to take on their own initiative within their fee limitations.

6- Now, back to our VE team. We are assembled and the area to be VE-ed is identified and described functionally, usually, in just two words. The two words used to describe function in the above example of a building's foundation would probably be "support load." Next, we move to the Creative, or Brainstorming Phase.

7- Now, the fun begins. The team generates 30-40-or-50 ways to "support load" -- whether it is applicable to this project or not. The rationale is to encourage the team so that all members participate. Here all ideas are accepted -- negative thinking is not permitted. The freewheeling nature of the Creative Phase of the VE Job Plan is to look for solutions beyond the perimeter of thinking of the original designers and to make sure that the lastest state-of-the-art ideas are considered.

8- When the laughter dies down (creativity is a positive and frequently humorous event), a variety of sifting mechanisms and evaluation matrices are

used to come up with solid, real-world recommendation(s) which would accomplish all the basic function(s) under review.

Typically, the recommendations would reduce the cost of the item looked at in the order of 15-to-25 percent. Then, the team could look at other apsects of the design which might involve forming a new team. The overall impact of such a series of Value studies normally generates recommendations which would reduce total cost of construction of the project in the order of 10%.

9- Typically, about half of these recommendations would be approved by the owner and the original designers, at a minimum. I know some specific agencies where the return was perhaps double the figures I used. But my inclination is to be conservative in my projections.

10- Another apsect of a VE study which is very important is its cost. Traditionally, the cost is on the order of 10% of the accepted savings.

This, obviously, brings us to the conclusion -- "If Value Engineering is so good, why isn't there more of it?"

And this brings me to my second major subject area in my statement.

Misconceptions -- What VE Is And What It Is Not

By now, I hope I have illustrated that when an architect or engineer says that they "do it all the time," chances are they don't. If they have been through one of these 40-hour workshops, they probably would not make that statement.

To conclude my statement, I would like to just touch on a few other descriptive perceptions of VE to illustrate what it can do and what it can't do . . also, what it is, and what it is not:

1- VE is not cost reduction because traditionally cost reduction eliminates basic functions. VE identifies alternate ways to provide basic functions and concentrates on the especially high-cost functional areas of poor value. CVSs usually concentrate on that 20 percent of a project that typically contains 80% of the cost.

2- A good bit of the resistance to Value Engineering comes from human

nature. This is especially evident in individuals who are resistant to change or unwilling to accept outside second opinions.

3- Top management support is vital and in the Federal Government (I have lived in a political/news environment in Washington since 1935) my observations have shown that specific congressional interest and action generates some Executive response.

4- The term "Value Engineering" is a very confusing name because if you're an engineer, you're inclined to think you do it all the time; and if you're not an engineer, you think it is for "engineers only" and, therefore, non-engineers are put off.

5- Actually, the Value Engineering method I outlined at the beginning of my statement incorporates our fundamental review methodology which is usually called a "Value Job Plan." It includes phases normally identified as Selection, Information, Creative, Analytical, Presentation, and Implementation.

6- The versatility of VE is perhaps one of the reasons it is so elusive as a concept. Most CVSs agree that the VE methodology can be applied anywhere a function can be separately identified and measured. I have heard of Value studies: of congressional office procedures in such activities as answering the mail; designing a marketing strategy for a new industrial product; focused on almost all traditional manufacturing and construction areas; and even applied to some research and development activities.

Thank you for the opportunity to explain a few features of VE. I will be pleased to reply to your questions.

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STATEMENT OF ALPHONSE J. DELL'ISOLA

Senator ANDREWS. Who is next?

Mr. DELL'ISOLA. My name is Al Dell'Isola. I am with the firm of Smith, Hinchman & Grylls here in Washington and headquartered in Detroit, and am honored to have this opportunity to testify before the subcommittee.

My testimony is directed toward requesting the subcommittee members to consider more forceful actions to initiate a mandatory value engineering cost reduction program for those agencies under its jurisdiction and I hope to provide some reasons for that request.

By way of background, I am a registered professional engineer and I have been working in value engineering pioneering the application of value engineering in the construction industry, and it has been about 20 years, in setting up the initial program in the service as a result of McNamara's DOD cost reduction program.

Focusing on an industry which you are looking at, the transportation industry and its related construction costs, it is one of the largest industries that we have. A background of its procurement methods, it procures its projects the same way as most of the other Government agencies through a competitive bid, designing it through a consultant firm and then using contractors to put it together.

The point I want to bring out is that the industry is very fragmented and it is through this fragmentation that unnecessary costs creep into projects. It is also due to the fact that when you look at financial accountabilty it is fragmented all the way through and eventually the one who is financially responsible ends up to be the taxpayer in this case.

So we are looking for a way that we can increase the effectiveness of these expenditures, and we feel that value engineering is a positive way to bring about savings and more responsive actions in these areas.

As far as the value concept and how it has been utilized, we started the value engineering concept with the Navy Facilities Engineering Command and went over to the Corps of Engineers, and now other Government agencies have picked it up, namely, GSA, the Veterans' Administration, and HEW.

I think we focus on the Environmental Protection Agency because the Environmental Protection Agency is another granting-type agency more similar to the Transportation Department rather than, say, the Army Corps of Engineers which is a direct owner in many cases.

What we have is the grant process and you have with you here the gentlemen who set up the original program. So I am not going to focus on what the DOT is doing now. He will cover that.

What I would like to give you is a broad background on what is happening in related areas. We have been working in the private sector, mainly with American Telephone & Telegraph and we have set up programs in their operating companies.

In one particular case, in one of the operating companies, Mountain Bell, where we initiated a formal program where all major projects were required to have a value engineering effort, there was a 25-percent reduction in their in-place cost.

In C&P of Virginia, which is right down the road a piece, we had a similar effort where all their projects had mandatory value engineering in them and there was a 10-percent reduction in their budget in which they actually sent back to headquarters 10 percent of their budget. Now this is almost unheard of in the industry where they actually sent money back. We feel this can occur in the agencies under your jurisdiction if it is made mandatory.

The other area I am focusing on is EPA and projects related to your particular agency. I think one in particular is the Atlanta Airport. I don't know if the chairman has been through the Atlanta Airport.

Senator ANDREWS. I have seen the Atlanta Airport.

Mr. DELL'ISOLA. The new one or the old one or both?

Senator ANDREWS. I have been through both the old one and the new one. The new one, well, let's not make comments about the new one. [Laughter.]

Mr. DELL'ISOLA. Well, we designed the new one. So maybe I shouldn't have brought that out.

Senator ANDREWS. I guess it is going to work better than the old one.

Mr. DELL'ISOLA. I am very familiar with it because we actually conducted a formal value engineering study on that project and the results of that study was a $5 million reduction in the cost of the terminal building and a 20-percent reduction in the cost of the annual energy. In other words, the value engineer had focused on optimizing costs and trying to do something with the energy consumption. So that your project when you go through it is very energy conscious and the value engineering effort was responsible for a 20-percent reduction in cost.

In summing up, if you take a look at the last sheet, you have the results of the work that we have been doing in the EPA grant program and other related projects. What you have is roughly 50 projects. This is part of the mandatory value engineering effort.

Now, what do we mean by that? What we mean is that there was a concentrated input over and above the normal design procedure that was initiated on these projects. This effort was solely oriented toward optimizing costs. It was done by a specialized team that was not involved in the original decisionmaking at specific times and the effort was to augment the traditional approach to create savings.

Out of those 50 projects, representing approximately $1½ billion, there was isolated and implemented $120 million in savings. Now if we take this same relationship and apply it to, say, the Department of Transportation, the highways, with an $8 billion program, we say that if you look at setting up $8 million to one side solely directed toward value engineering that there is a $1 billion savings potential and that savings potential is justified by a number of other similar programs that have these efforts put on them.

With that conclusion I would like to thank you for the opportunity to testify before your subcommittee.

Senator ANDREWS. Thank you very much.

[The statement follows:]

STATEMENT OF ALPHONSE J. DELL'ISOLA

VICE PRESIDENT AND DIRECTOR
VALUE MANAGEMENT DIVISION
SMITH, HINCHMAN & GRYLLS ASSOCIATES, INC.

I am honored to have this opportunity to testify before this Senate Appropriations Subcommittee on Transportation and Related Agencies. My testimony is directed towards requesting the subcommittee members to consider more forceful actions to initiate a value engineering cost reduction program for those agencies under its jurisdiction. In particular, the emphasis is on those agencies spending funds on construction, maintenance and operating programs.

As a registered professional engineer and a certified value specialist who pioneered the application of value engineering in the construction industry, I am here on behalf of my firm and as an active member of the Society of American Value Engineers to bring the committee examples of positive results of value engineering/cost reduction programs.

Before outlining these results, an introduction to VE in construction appears appropriate.

INTRODUCTION

The construction associated with transportation is one of the largest, nonagricultural industries in the United States approximating some $20 billion in annual expenditures.

Government methods for procurement of projects are basically as follows. The design of a facility is negotiated with a consultant firm, and the construction is performed by a contractor selected by competitive bidding. Using open bidding, all contractors are allowed a bidding opportunity. Construction inspection is normally done by the government agency; however, there are times when this responsibility is added to the designer's contract.

The industry is in many ways the victim of the fragmentation of authority. A project is planned by one group, designed by another, and reviewed by other groups. Items are produced by manufacturers, handled by purchasing agents, and installed by various contractors and subcontractors on the basis of the lowest bid price. Everything is eventually constructed at a site by a field force made up of a myriad of trades. This fragmentation dilutes the designers decision-making ability to be accountable for control of costs especially when they are not financially accountable for their decisions. The result is that they, and the others in the process chain, have very little incentive to develop proficiency in optimizing costs.

As well as looking at the methods used, a look at what has happened to construction costs is warranted. Construction prices have more than doubled in 10 years. Who is taking steps to offset this trend? What steps have consultants, manufacturers, and contractors taken to offset rising costs? Consultants ask for increased fees, manufacturers raise their prices and contractors raise their bids accordingly. It is the taxpayers who are bearing the brunt of the inflationary spiral. As a result, what we are witnessing is a taxpayer revolt. A positive way to act is by requiring value engineering as part of the design process.

There are several organizations which have adopted mandatory value engineering in many of their design and construction contracts, for example: the General Services Administration; the Environmental Protection Agency; the Army Corps of Engineers; the Naval Facilities Engineering Command; the Department of Health, Education and Welfare; the Coast Guard, Port Authority of the City of New York; the Building Engineer of American Telephone and Telegraph Company, especially in the Mountain States Operating Company; and the States of Maryland, Colorado, Massachusetts, and Nebraska.

VALUE CONCEPT UTILIZATION

The VE concept was introduced in the construction industry by the author while with the Navy Facilities Engineering Command in 1963. The Army Corps of Engineers followed with a program in 1965. The General Services Administration Public Building Services (PBS), under the guidance of Don Parker, added incentive provisions to their construction contracts using additional follow-on sharing. In addition, the Public Building Service was the first agency (about 1968) to utilize mandatory VE requirements during design Architect/Engineer contracts. The Facilities Division of the National Aeronautics and Space Agency utilized a consultant for VE services during design from 1968-1980. The Facilities Engineering and Construction Agency of HEW and the Office of Construction of the Veterans Administration also initiated programs at that time. The next large expansion of VE occurred again with the Public Building Services introduction about 1972 of Construction Management (CM) with a VE requirement written into the required scope of work for CM services. Subsequently, the Director of Municipal Construction of the Environmental Protection Agency required a mandatory VE provision in all grant projects for wastewater treatment plants over $10,000,000, starting about 1975. The Department of Transportation passed a voluntary requirement for VE for their projects in 1976 with Edward Johnson coordinating the effort. The Coast Guard actively engaged in the concept during the same period. The Port Authority of New York under the guidance of Ray Monti established a program in 1975 and utilized the concept in selective major projects.

In the private sector, Building Engineer Elmer Quint of the Mountain States Telephone and Telegraph Company of the American Telephone and Telegraph Company (AT&T) was the initial user of VE in communication facilities, introducing the concept in 1972. Subsequently, the AT&T corporate Building Engineer (Don Lyon) established the VE

concept system wide. Other private firms have introduced the VE concept to their construction projects, including Canada Bell System, Dravo, Morrison-Kundsen, B.F. Goodrich, Corporate Engineering of Owens Corning Fiberglass, SeaLand Services, Johns Manville, Ciba-Geigy, Union Carbide, and AIRCO.

In the foreign area, the Japanese introduced VE in 1970 through the auspices of the Institute of Business and Management of Tokyo. In 1978, Italians began utilizing VE through a firm called CHEMINT of Milan, the Australians followed in 1979 through Brian Farmer of Woolworth, Inc., and McLachlan group of Sydney for Australian Mutual Provident (AMP). In Canada, in addition to Bell of Canada, the British Columbia Building Corporation established a VE program in 1978 with W. Adams acting as the focal point, as did Public Works Canada in 1980 with Alan Reid the focal point. There are practicing construction-oriented value engineers in Japan, India, South Africa, England, France, Sweden, and Germany.

Definitions

In general terms, Value Engineering is a creative, organized approach whose objective is to optimize cost and/or performance of a facility or system. It is a management plan set in action to make cost optimization happen "on purpose" rather than "by accident". During this process, life cycle costing techniques are utilized. All expenditures relating to design, construction, operation, replacement, etc., are considered.

Application to the Construction Industry

The use of value concepts in the construction industry has increased dramatically during the past few years. The chief reason for this surge is rising construction costs coupled with an even more dramatic rise in follow-on costs.

There have been owners who have successfully conteracted these trends. For example, Mountain Bell Company reduced square foot costs in a rising market by establishing an in-depth value engineering program. All major facilities were valued engineering utilizing a VE consultant. The results, indicated a 25% reduction in costs over a two year period.

C&P of Virginia has adopted a formal value engineering program which requires all design agents to have value engineering capabilities. The A/E is required to perform, or have performed by outside consultants, scheduled VE studies, using a multidiscipline team of professionals who were not involved in the original design. This extra level of effort is negotiated as a separate fee apart from the conventional design fee. Since starting this program, the company has reduced many of its facilities project budgets by 20% and reduced annual expenditures by approximately 10%.

As for the Federal Government, the General Services Administration Public Building Services (PBS) reports approximately $11,000,000 in implemented savings for the years

1977-78. These savings represent a return on VE investment of over ten-to-one on architect-engineer and construction manager contracts, or spending about $900,000 to obtain savings of $11,000,000.

In the Department of Defense Construction Agencies, both the Army Corps of Engineers and the Naval Facilities Engineering Command have VE programs staffed with full time personnel. The value engineering savings for the Corps of Engineers for the years 1975-1979 totalled over $400 million.

Subsequent to a number of trial applications, EPA in 1971 made the use of VE mandatory for proposed wastewater treatment plants over $10,000,000. Significant savings have been realized. Reported savings for 1971-1980 on selected projects were estimated at approximately $160 million. These savings, which include captial, operation, and maintenance costs, represent a 5% reduction in total costs and a $12 return for every dollar invested in value engineering.

To be more specific, our firm has conducted numerous VE studies on EPA funded or related projects. A list of recent projects is attached as Figure 1. As you may note, the return on investment is quite significant, averaging well over $50 in savings for each dollar spent. To quote facts, our fees for generating some $120,000,000 in savings has been approximately $1,500,000. It must be pointed out that in some cases projects were over budget and our actions brought them back to an acceptable cost level. We have conducted value engineering on several transportation type projects with similar results. These projects are:

Atlanta Airport Terminal and Concourse
Santa Cruz Bus Maintenance and Operations Facility
Vehicle Maintenance Facilities - Post Office
Vehicle Maintenance Facilities - Bell System Operating Companies
Interstate Highway - New York State

In analyzing the results, the subcommittee could justify a 3-5% budget reduction in the construction programs in the transportation and related agencies. These savings could be realized with a 0.3 to 0.5% increase in funding to perform mandatory VE similar to the EPA program.

As for response by consultants, the American Consulting Engineers Council has conducted over 100 VE training workshops resulting in some 3,000 professional engineers with VE training. These engineers form a resource pool waiting to be tapped.

In summary, the grant program for construction of transportation facilities has a potential for savings which could result in hundreds of millions in savings to the taxpayer. These savings can be realized by mandatory VE provisions on all facilities projects costing over $2,500,000. The cost of the program should not exceed 1-3% of the total savings. Based on the application of the value engineered concepts to over

500 projects, resulting in more than one half billion dollars in savings, it can be concisely stated that value engineering methodology is a real tool to help the transportation agencies reduce costs. Only the reluctance of these agencies and their designers to use the concept has prevented realization of these savings.

Thank you for giving me the opportunity to testify before your subcommittee. I will try to answer any of your questions.

Summary of **Value Engineering Results**

Studies conducted by members of the **Value Management Division** of Smith, Hinchman & Grylls Associates, Inc.

Figure 1

Project Name	Cost ($ Mil)*	Potential Savings	Implemented Savings	Return On Investment
Cape May Co. MUA Pumping Stations	In Progress	———	———	———
North River WWTP (C)	In Progress	———	———	———
Metro Manila Sewer System	In Progress	———	———	———
City of Jamestown, NY	In Progress	———	———	———
City of Ithaca, NY	In Progress	———	———	———
City of Providence, RI. WWTP	80	10,000,000	4,900,000	100:1
City of Fulton, NY	12	1,400,000	670,000	20:1
Shelbyville, KY Water TP	2.2	112,000	116,000	23:1
Coney Island, NY WPCF (A)	320	23,000,000	In Progress	———
Hanover, PA WWTP	12	2,800,000	1,000,000	33:1
Rockland Co. WWTP (Composting)	28	5,500,000	3,100,000	80:1
Indian Head Sanitary System	6	500,000	280,000	10:1
City of Toledo WWTP (B)	36	4,000,000	2,800,000	50:1
City of Toledo WWTP (A)	36	5,000,000	1,800,000	50:1
City of Albuquerque. NM	25	3,200,000	1,500,000	30:1
City of Memphis, TN	18	2,000,000	1,800,000	30:1
Henrico County, VA (A)	26	4,500,000	2,500,000	50:1
City of Bowie, MD	8.6	1,000,000	670,000	40:1
Wanaque, NJ WWTP	18	3,000,000	600,000	10:1
North River (B)	670	2,500,000	1,500,000	21:1
City of Lakewood. OH (C)	27	2,500,000	2,000,000	80:1
Wayne, NJ WWTP	25	3,000,000	2,000,000	40:1
Three Rivers, GA Pump Stations	52.5	17,500,000	2,900,000	20:1
Plainville, NJ WWTP	7.5	1,500,000	1,000,000	20:1
Ocean County Pump Stations	5	500,000	250,000	10:1
Ocean County, NJ (Test Case 1975)	40	3,000,000	600,000	10:1
City of New York/Sludge Disposal	90	20,000,000	15,800,000	150:1
North River WWTP (A)	670	60,000,000	21,000,000	105:1
City of Lakewood. OH (B)	27	16,000,000	14,000,000	500:1
City of Lakewood, OH (A)	12	5,000,000	3,000,000	100:1
Norfolk Naval Fac. Eng. Command Admin. Bldg.	10	1,500,000	900,000	36:1
Grand Junction, CO. WWTP	18	3,000,000	2,100,000	40:1
Lexington, KY, WWTP	12.5	1,270,000	520,000	22:1
Los Angeles County San. District	15	900,000	440,000	22:1
San Francisco WSPS	26	2,300,000	1,600,000	64:1
Kansas City, KS, WWTP	22.5	1,500,000	850,000	22:1
Oklahoma City (A)	25	20,000,000	17,000,000 1,600,000 Int	485:1
York River WWTP, VA	18	2,200,000	1,900,000	60:1
Kalamazoo, MI (B)	———	———	800,000	28:1
Kalamazoo, MI (A)	26	2,000,000	900,000	30:1
Bucklin Point, RI. WWTP	2.14	900,000	770,500	26:1
Southington, CT, WWTP	12	716,000	450,000	9:1
Cleveland Easterly (B) WWTP	16	1,500,000	814,350	30:1
Cleveland Easterly (A) WWTP	16	1,800,000	1,662,000	60:1
Cranston, RI. WWTP (A)	28	2,816,000	841,000	28:1
Rocky Mount, NC, WWTP (90%)	27	3,400,000	700,000	25:1
Cape May, NJ. (B) WWTP	11	600,000	250,000	5:1
Cape May, NJ. Pump Station	2.2	240,000	80,000	10:1
Cape May, NJ. (A) WWTP	11	1,137,925	426,000	17:1
Oro Loma Castro Valley	2.5	120,000	65,000	2:1
Quantico STP, VA	4	770,000	0	Contractor Incentive Clause
Concord WWTP, NC	30	3,300,000	960,000	27:1
Total Implemented Savings		Approximately	$120,000,000	

STATEMENT OF EDWARD D. JOHNSON

Senator ANDREWS. Mr. Johnson.

Mr. JOHNSON. My name is Edward D. Johnson. I was recently retired from the Department of Transportation's Federal Highway Administration where I spent the last 7 years coordinating that Administration's value engineering [VE] program.

I appear before you today hopefully as a practitioner of value engineering and as sort of an evangelist. It is my secular religion if you will excuse me. I thank you very much for listening to me.

I would like to elicit your support to insure that this proven cost containment process is effectively applied in all federally-funded transportation projects and programs now under consideration by this subcommittee.

During those 7 years as VE coordinator for FHWA the main thrust of our activity was training. We held 77 workshop-seminars which were hosted by the Federal Highway Administration and some 41 State highway agencies. We trained over 2,000 people and they were given hands-on experience in value engineering.

Each of these projects involved the actual study of live projects. In each workshop a potential savings of 20 percent of the project costs were identified, supporting very much what Mr. Dell'Isola referred to.

How much of these isolated costs were eliminated from projects dependent upon the support that management gave to the activity of value engineering within its own State? In some States it was nearly 100 percent and in other States the results of the workshop were accepted as a nice training activity and were largely ignored.

To be realistic, half of these identified savings actually represented funds that would have been spent to accomplish unnecessary or meaningless functions or tasks, oversights in the design process, if you would, things that were in there that didn't have to be in there.

The other half of the identified savings, and I think this is important, represented underutilized funds, which in something like a State highway agency could be better spent elsewhere to accomplish more meaningful program objectives. As a case in point, for instance, safety funds that are concentrated in one particular State to bring one project up to what might be considered 100 percent safety when 35 or 40 other projects within the State were left without funding.

So all in all through the course of the workshops potential savings of about $300 million were identified in the exposure of about $1.5 billion to the VE process.

Predicated on this, we feel that an annual savings of well over $1 billion in public funds could be realized if value engineering was consistently applied to the highway program.

Now if it is so effective, why is it resisted? I bring in the testimony today the one important reason it is resisted, and I call that the 90–10 syndrome predicated on the 90 percent Federal financing furnished the States on a needs basis to construct the National System of Interstate and Defense Highways.

In essence what the Federal Government did was promise the States sufficient funds to finish the Interstate System as they felt it should be finished, subject to the approval of the Federal Highway Administration. It was in effect, however, a blank check, and it became encumbent on any responsible State highway official to insure that all highway needs, even remotely related to the Interstate System, were accommodated. We developed a couple of new philosophies like "more is better" and "just in case," a good designer's foil, "just in case." It became the hallmark of the highway industry throughout the sixties when the funding was plentiful.

Now we have raised a whole generation of road builders imbued with that philosophy. And of course they look upon value engineers and whenever you talk about saving money, they say, what are you going to do? You are going to diminish the safety, the capacity, and the environmental protection of the highway.

But as Hal mentioned in his definition of value engineering, the value engineer's objective is to find a less costly alternative through creative means to accomplish needed functions without diminution of project quality, performance, safety, or maintainability. We still have to get through those well-formed habits of a generation of highway engineers.

Although nearly 30 States profess to use value engineering, there are only 10 or 12 that may be considered as having a functioning VE staff.

I wish to commend most notably the DOT's in Pennsylvania, New Mexico, and Florida where their VE programs, working with the complete support and blessing of management, are implementing substantial annual savings and that money is being reallocated to other worthwhile projects and in effect expanding the area of activity within that State and with the same amount of money. On the other side of the coin, there are about 10 States which view VE as a passing fancy.

Finally, referring to agencies in the Department of Transportation, I know of no real activity other than in the Federal Highway Administration. I believe the effective use of VE would also be a billion dollar annual benefit to the capital construction programs in mass transit and airports and I still don't feel it is too late to launch a program in the Northeast Corridor Assistance Project.

Although I am pleased with what FHWA has done with value engineering to date, much remains to be done. Just a little while ago we completed a little over 90 percent of the interstate and we still had the same amount of money left to spend to complete the other 10 percent as we had spent already in getting to that degree of completion.

We still have the Westway in New York City, the Papago Freeway in Phoenix, the Century Freeway in Los Angeles, the Banfield Transitway in Portland, Oreg., the I–90 approach to Seattle, and the funds being spent as a result of the withdrawal of interstate projects in Chicago and Boston. All this work totals well over $10 billion through the benefit from value engineering.

I thank you very much.

Senator ANDREWS. Thank you very much to all three of you for excellent statements.

To the fourth who isn't here, his statement will be included in the record and it will be of a good deal of assistance to the committee in its deliberations.

[The statements follow:]

STATEMENT OF EDWARD D. JOHNSON

RETIRED EMPLOYEE OF THE FEDERAL HIGHWAY ADMINISTRATION
AND ITS FORMER COORDINATOR FOR VALUE ENGINEERING

Mr. Chairman and Members of the Subcommittee:

My name is Edward D. Johnson. I am recently retired from the Department of Transportation's Federal Highway Administration (FHWA) where I spent the last seven years coordinating that Administration's Value Engineering Program. I welcome the opportunity to appear before you today to elicit your support in ensuring that the proven cost-containment process of Value Engineering (VE) is effectively applied to all Federally-funded transportation projects and programs now under consideration by this Subcommittee.

In my testimony today, I will relate my experiences and observations of FHWA's VE program and the activities of other agencies within the Department of Transportation (DOT) in this regard. I will also present my feelings on the tremendous, untapped potential of the VE discipline and why there is need for immediate action.

During my seven years as VE coordinator for FHWA, we sponsored 77 workshop-seminars which were hosted by FHWA and some 41 State highway agencies. Over 1,700 State and 300 FHWA and local highway officials were given hands-on experience in VE. Each of these workshops involved the actual study of live projects. The total construction costs of the items studied ranged from $2 million in some small States, to over one-half billion dollars in New York where our study included elements of the multi-billion dollar Westway project. In each workshop, potential savings of over 20 percent of project costs were identified. To be realistic, about half of these identified savings represented funds that would have been spent to accomplish unnecessary or meaningless functions. Such elements should have been, and in many cases were, eliminated from

the plans. The other half of the identified savings represented under-utilized funds which could be better spent elsewhere to accomplish more meaningful program objectives.

All in all, through the course of these workshops, potential savings of about $300 million were identified in the exposure of about $1.5 billion to the VE process, this over the seven year program life within FHWA. Based on this experience, if each State highway agency had a functioning VE unit, reviewing only half of its planned improvements and maintenance operations, an annual savings of well over one billion dollars in public funds could be realized.

If VE is so effective, why is it resisted? There are many reasons but foremost among them is what I term the "90-10 syndrome," predicated on the 90 percent Federal financing furnished the States, on a "needs" basis to construct the National System of Interstate and Defense Highways. In essence, the Federal Government guaranteed the States sufficient funds to complete the Interstate System in a manner proposed and justified by the States and approved by the Federal Government. With such a "blank check," it became incumbent on any responsible State highway official to ensure that all highway needs, even remotely related to the Interstate System, were accommodated. The philosophy of "more is better" and "just in case" became the hallmark of the highway industry throughout the 60's when funding was plentiful.

We have raised a whole generation of road builders imbued with these philosophies. Old habits are hard to break. The recommendations of a Value Engineer are looked upon, not as the elimination of unnecessary, meaningless, or redundant functions, but as a positive diminution of project needs for, safety, capacity, and environmental protection. As has been previously demonstrated, the Value Engineer's objective is to find a less costly alternative to accomplish needed functions without diminution of project quality, performance, safety, and maintainability. The well-formed habits of a generation of highway engineers remain as

the biggest roadblock to effective use of VE in the Federal-aid highway program.

Although nearly 30 States profess to use VE, there are only 10-12 that have what may be considered a functioning VE staff. Most notably, the DOT's in Pennsylvania, New Mexico and Florida have VE programs, working with the complete support and blessing of management, and each implementing substantial annual savings to be reallocated to other worthwhile projects within their respective States. On the other side, there are about 10 States which view VE as a passing fancy, using such excuses as "We don't have enough money," or "It might interfere with our getting an increase in the State gasoline tax."

Agencies in the Department of Transportation, other than FHWA, have done little Value Engineering. There has been some individual interest in UMTA, USCG and FAA, but no total Administration effort to implement a VE program. From my experience in FHWA, I feel that the effective use of VE would be a billion dollar annual benefit to the capital construction programs in mass transit and in airports. Also, it is not too late to launch an effective VE effort in Federal Rail's Northeast Corridor Assistance Project.

Although I am pleased with the overall attitude of FHWA and the State highway agencies regarding VE, much remains to be done, and quickly, to ensure maximum return on the Federal investment in highway and highway-related facilities. Just last year, I was informed that, although over 90 percent of the Interstate mileage was open to traffic, the amount of money needed to complete the System was roughly the same as the amount that had been spent since 1956 in getting the System to that degree of completion. Some noteworthy, costly projects remain: the Westway in New York City, the Papago Freeway in Phoenix, the Century Freeway in Los Angeles, the Banfield Transitway in Portland, Oregon, the I-90 approach to Seattle (through Mercer Island), and the funds being spent as a result of the withdrawal of Interstate projects in Chicago and Boston. All of this work totals well over $10 billion

and could benefit by positive assurance of the States involved that a functionally-oriented cost containment effort was being employed.

I thank you Mr. Chairman for the opportunity to express my views and would be pleased to answer any questions you may have.

STATEMENT OF ROBERT H. ROSSMAN

CVS, PARTNER

KEMPTER-ROSSMAN INTERNATIONAL

My name is Robert Harris Rossman. I am a Certified Value Specialist (CVS), a graduate engineer, a retired Commander, U. S. Navy, and a Partner in the small business firm of Kempter-Rossman International (KRI). KRI has had nine (9) years of experience in cost-control technology, including Value Engineering in Construction, on a worldwide basis.

KRI has performed Value Engineering services on highway projects, military barracks and chapels, schools, office buildings, medical facilities, laboratories, military equipment and systems, and a variety of commercial enterprises, such as steel plants.

By Value Engineering, I mean a specialized cost-control and problem-solving technique, led by a Certified Value Specialist, which uses a systematic and creative approach to identify and focus on unnecessarily high-cost or other problem areas in a project in order to arrive at a cost saving or solution without sacrificing quality, reliability, efficiency, or the needs of the project.

During March 1982, we completed a series of fifty-two (52) Value Engineering (VE) workshops under contract with the Federal Highway Administration, funded by the National Highway Institute. More than 1700 highway planning, design, engineering, maintenance and other personnel received training in the Value techniques during these workshops.

During the 2-1/2 years of these contracts with the FHWA, the design professionals who made up the Value Engineering teams identified an estimated one-half

billion dollars in recommended savings. These savings amounted to more than 20% of the average project cost.

The $500 million recommended for saving was achieved by looking at less than 10% of the National Highway Budget. By extrapolation, an estimated $5 billion could have been saved during that 2-1/2-year period of time.

I must commend the Federal Highway Administration for their continuance of this vital program. It is planned to continue through Fiscal Year 1983, where perhaps another 1500 highway professionals will be exposed to these cost-saving techniques.

Several of the States initially trained in Value Engineering through the FHWA Contracts have continued the program on their own, including Virginia, Minnesota, Florida and New Mexico, among others. The net result of this program is that their taxpayers' money will be spent in a more cost-effective manner.

We feel that a formal Value Engineering approach is always successful, to some degree. The degree of success depends on the ability and motivation of the Value team, the capability and openness of top management to change, and the receptivity of the organization to the Value concepts.

By far, the most important element of success is the involvement, support and capability of top management.

Too often, we find that management is so interested in spending what they have, and developing needs for more funding, that they abandon, or neglect, the all-important concept of cost-effectiveness in their organizations.

When there is no requirement for Value Engineering to be performed in a project, each one is designed to the highest standards that are available, neglecting the true needs of the project and wasting untold millions of dollars throughout the Nation.

Where we have been permitted to perform Value Engineering, the average recommended saving by KRI Value teams in construction projects is more than 20%. Many times, the Value Engineered projects better meet the performance and quality that is needed than the original design.

Each design that we reviewed was a good design. Each one met all of the functions of the project criteria. All of them met or exceeded the standards and specifications imposed on (or implied to) the designers. There was just one shortcoming in each of them: Seldom, if ever, do our designers look for alternative ways to meet the needs of the project.

One of the basic reasons for poor value in design is the complete neglect of cost subjects in the education of our technical people. According to my research, there is no requirement for cost subjects for award of any baccalaureate degree in architectural or engineering curricula. Thus, we continue to produce "competent" design in almost every area but cost, because our designers have no concept of the cost consequences of their design or planning decisions. By the time they learn about cost, through bitter experience, most of them are in supervisory or management positions and a new crop of university graduates, without any concept of cost, are performing the designs.

The cost of most projects is not known until after the design is completed, and a detailed cost estimate is made. At that point, unless the project is re-designed, it is too late to control costs.

The tendency of every American designer is to meet or exceed every known or implied standard, specification or guideline relating to their project. We can no longer afford such designs.

I urge this Subcommittee to find some means of requiring that formal Value Engineering be done in every highway project that uses Federal funding. In addition, I urge that all transportation elements be required to use formal Value Engineering, i.e., the Coast Guard, UMTA, FAA, et al. After the outstanding results achieved by the Federal Highway Administration in its several years of providing Value Engineering experience to highway personnel, it is inconceivable that the other elements of the Department of Transportation have done nothing to take advantage of this proven management tool.

With only a minimum effort on the part of Transportation Managers, more

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than a billion dollars a year could be saved. Such savings could be achieved through a mandated program requiring that formal Value Engineering be performed, using a Certified Value Specialist, on all transportation projects and programs with a budgeted value of $1 million or more.

I have greatly appreciated the opportunity to testify before this Subcommittee.

SUBCOMMITTEE RECESS

Senator ANDREWS. My apologies that you had to wait while we had these interminable votes, but that is the way things seem to run around here.

The subcommittee will stand in recess until our next session.

[Whereupon, at 11:35 a.m., Thursday, April 29, the subcommittee was recessed, to reconvene at 10 a.m., Friday, April 30.]

DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1983

FRIDAY, APRIL 30, 1982

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 10 a.m., in room 1318, Everett McKinley Dirksen Senate Office Building, Hon. Mark Andrews (chairman) presiding.

Present: Senator Andrews.

NONDEPARTMENTAL WITNESSES

BOAT OWNERS ASSOCIATION OF THE UNITED STATES

STATEMENT OF RICHARD SCHWARTZ, EXECUTIVE DIRECTOR

ACCOMPANIED BY MICHAEL SCIULLA, DIRECTOR OF GOVERNMENT AND PUBLIC AFFAIRS

SUBCOMMITTEE PROCEDURE

Senator ANDREWS. The subcommittee will come to order.

Our first witness today is Richard Schwartz, Executive Director, Boat Owners Association of the United States.

You may be assured your entire statement will appear as given in the record. When the red light goes on, time is out, so the time you summarize gives us time for questions.

Mr. SCHWARTZ. I am Richard Schwartz, Executive Director of Boat Owners Association of the United States (BOAT/U.S.). Accompanying me is Michael Sciulla, our Director of Government and Public Affairs. We very much appreciate the opportunity to appear before this distinguished panel.

For those of you who are unfamiliar with our association, BOAT/U.S. is the largest national service organization of individual boatowners in the country today. We are not affiliated with or supported by any manufacturer, dealer, or other industry or private group. Nearly 100,000 boatowners from all 50 States are now active members of the association.

Mr. Chairman, we are here today to bring two matters to your attention: First, to strongly urge that you approve the administration's fiscal year 1983 budget request of $5 million to implement the boating safety

provisions of the Recreational Boating Safety Act of 1980. The concerned appropriations push you made last year to gain an appropriation is well recognized and we want to take this opportunity to thank you for that effort.

The House Merchant Marine Committee voted to remove a stumbling block from this program for budget authority total. What we now need is corresponding obligational ceilings for the fiscal year 1983 DOT appropriations bill.

Second, I would like to take a few moments to outline for you the problem we face in helping to protect the Nation's 14 million boatowners and some 60 million people who go boating each year.

For more than a decade the U.S. Coast Guard has been the primary authority for recreational boating safety, education, emergency assistance, and law enforcement activities on the coast and navigable waters of this country. Thanks to the Federal Boat Safety Act of 1971 and the combined Coast Guard and State boating safety programs it fostered, the rate of recreational boating fatalities was cut in half during the seventies as the number of boats on the water doubled.

As the decade ended, however, the State boating safety grants which were so instrumental in improving this safety record were eliminated and the Coast Guard's direct recreational boating safety activities have suffered a steady decline because of new priorities and a very tight budget.

The Coast Guard's boating safety teams—its only on the water recreational boating presence—have been eliminated. Hundreds of navigational aids required for safe passage are threatened with elimination in the USCG's first and third districts. Although the number of boaters has increased by nearly 2 million in the past 5 years, there has been a 15-percent decline in the number of regular Coast Guard units responding to emergency calls for assistance.

The Coast Guard Auxiliary, comprised of 41,000 volunteer recreational boaters, now responds to more than 25 percent of such calls, and the Coast Guard's boating standards program which is charged with insuring the construction of safe boats has had to reduce its factory visits by 43 percent over the past 3 years.

All in all, Mr. Chairman, we are faced with a severe diminution of those Coast Guard activities which have the greatest impact on recreational boating safety. The Nation's boatowners are very concerned with what has been happening to the Coast Guard in recent years. They are aware that budgetary constraints and added responsibilities have combined to stretch the service to its limits and they are aware that the Federal Government can no longer be called on to perform all of the activities it once provided.

To meet this challenge, the Congress in 1980 passed the Recreational Boating Safety Act, Public Law 96–451. Designed to permit the States to continue their successful boating safety programs and to facilitate the transfer of Coast Guard functions to the States, that act established a marine fuel tax user fee trust fund which collects $20 of the $30 million generated annually of the fuel taxes paid by motorboat operators. This

landmark act has remained without an appropriation since enactment and is now in its sunset year.

Without these funds, Mr. Chairman, the States will drop the cooperative Federal/State programs developed under the Federal Boat Safety Act of 1971. They will also fail to take over those safety programs the Coast Guard is now eliminating.

What we are faced with today is a clear choice between abdicating our responsibility to encourage safety on Federal waters or sending a small sum of boating's own taxes to the States so that they can take over responsibilities that have been performed by the Federal Government.

At this time I would like to take a few moments and go one step farther. We have developed a proposal which we believe will free up Coast Guard operating revenues, provide direct spending authority for additional revenues, limit the expenditure of scarce USCG resources and also speak in a constructive manner to the President's New Federalism approach to Government.

We suggest that a four-part, self-funding recreational boating safety program be established utilizing the marine fuel tax user fee revenues already generated under Public Law 96–451.

Of these user fee taxes we propose:

One: That one-quarter of the fuel tax trust fund revenue be divided among all the States for their boating safety, education and enforcement efforts based on the Public Law 96–451 formula.

Two: That one-quarter of these revenues be divided among the 25 coastal and Great Lakes States and be earmarked so that these States can develop close-in search and rescue programs capable of augmenting Coast Guard efforts.

Three: That one-quarter of these revenues be returned directly to the Coast Guard to fund Coast Guard auxiliary operations.

Four: That one-quarter of these revenues be returned directly to the Coast Guard to fund those programs which establish recreational boating safety standards for the design and construction of new boats, as well as for the Coast Guard's defect notification program which monitors unsafe vessels already produced, and to support the maintenance of Aids to Navigation used principally by recreational boaters.

Mr. Chairman, we believe this comprehensive formula would allow boaters to directly pay for nearly all of the Federal and State programs benefiting recreational boating without using general revenue funds. We urge that you give it your serious consideration.

On behalf of our association and members, I want to thank you, Mr. Chairman, for providing us the opportunity to present our concerns.

I will be happy to respond to any questions from the panel.

Senator ANDREWS. Thank you very much for a good statement. I am sorry we don't have time left for questions.

The next witness is Mr. Alan H. Horowitz, CLU, Inc.

[CLERK'S NOTE.—Mr. Horowitz' written testimony was submitted for the record.]

LETTER FROM ALAN H. HOROWITZ, CLU, INC.

APRIL 24, 1982.

U.S. SENATE,
Senate Appropriations Subcommittee on Transportation and Related Agencies,
Washington, D.C.

GENTLEMEN: It has become the policy of the U.S. Coast Guard to refuse to provide information assistance to recreational boatmen on the grounds that, "if we answer your question and you have an accident, you may sue the Coast Guard."

Repeated efforts have failed to have the Coast Guard confirm to all Coast Guard stations that this is not the policy of the Coast Guard.

Therefore, it is respectfully requested that the Coast Guard budget be reduced in such fashion and such amount as to eliminate those funds that would be a normal part of a Coast Guard appropriation for providing information to recreational boatmen.

Very truly yours,

ALAN H. HOROWITZ.

RESERVE OFFICERS ASSOCIATION OF THE UNITED STATES

STATEMENT OF MAJ. GEN. J. MILNOR ROBERTS, U.S. ARMY [RETIRED], EXECUTIVE DIRECTOR

ACCOMPANIED BY CAPT. A. ROBERT MATT, U.S. COAST GUARD RESERVE, NATIONAL COAST GUARD AFFAIRS COMMITTEE CHAIRMAN

Senator ANDREWS. Next we will hear from the Reserve Officers Association of the United States, Mr. J. Milnor Roberts, executive director.

Again, let me assure you that your statement will appear in the record as though given in full and any time you save we can use for questions.

Mr. ROBERTS. Mr. Chairman, it is a pleasure to be here again this morning. I have with me Capt. Robert Matt, U.S. Coast Guard Reserve, who is the Chairman of our Coast Guard Affairs Committee. I will make some comments, and you might want to question Captain Matt, who is on the firing line of the Coast Guard.

I think you are well aware of the action of the administration on the Coast Guard and its Reserve component in the form of reduced appropriation requests which we believe are 20-percent below what Congress appropriated in 1982.

There also is a very urgent requirement for supplementals to the 1982 budget. This includes the Coast Guard Reserve. The Coast Guard Reserve perhaps has not gotten as much attention as it should. The request of the administration was for a strength of 10,700 in fiscal year 1983 which is dangerously low.

We urge this committee to support a strength of 13,000 in the Selected Reserve of the Coast Guard for fiscal year 1983 because the taxpayer gets a heck of a lot for his buck out of the Reserve. We would suggest that you take a close look at that.

We also point out to you that without a supplemental for 1982, our 600 officers and 2,150 enlisted personnel in the Coast Guard will not be funded for military readiness training. We believe this is not the way to promote morale in the Coast Guard Reserve, which is, among all the Reserve components, one of the most ready and one of the most useful in war or in peace.

We also would call your attention to the fact that the Coast Guard Reserve is just planned for about 58 percent strength in peacetime, whereas the Reserve components of the other services are 86 percent or higher. We believe, therefore, that the 13,000 that we have requested for this year is highly appropriate, since at least 16,000 are required, which we may reach over a period of several years.

At this point I would ask Captain Matt if he might wish to make a few comments for us.

STATEMENT OF CAPT. A. ROBERT MATT

Captain MATT. Good morning, Mr. Chairman. Thank you for the opportunity to say a few words to you.

Certainly, as the respresentative of some 2,500 Coast Guard Reserve officers throughout the country, I concur in the comments made by General Roberts.

I think of particular concern to us is this: The Coast Guard Reserve itself has been stagnating for the last 10 years. You may recall in 1970 and 1971 there was a tremendous fight in these very buildings to save the Coast Guard Reserve, at which time its peacetime mission was turned around to get better mobilization training through hands-on augmentation of the reservists. As a consequence, we do feel we are at a high state of readiness at all times.

During that same period of time, that is, 10 years, the mobilization requirement of the Coast Guard Reserve has been in fact 16,500. We have been funded at a level of anywhere from 11,000 to 12,000 and most recently down to 10,700. There is a great concern among our officers that should we ever drop the funding level to somewhere in the neighborhood of 10,000, the Coast Guard Reserve would cease to exist and thus the United States and its citizens and our national defense strategy would be very, very badly hurt.

This is to say that the Coast Guard Reserve and its selected reserve personnel are responsible for the port security of the strategic ports of this country. That is our mobilization mission. We want to go up to the level where we should be. We are working diligently to get a floor authorization to increase our size. If we are successful in doing that, we still cannot go up without your help, Mr. Chairman, and that of your committee, and that is to provide the funding we need to increase our size up to the mobilization level where we should be. We believe that should be advanced at the rate of 1,000 selected reserve personnel for the next 5 years.

Senator ANDREWS. Before the red light comes on, I would like to ask you a couple of questions, to get them in the record.

Is there no shortage of individuals who go to sign up for the Coast Guard Reserve?

Captain MATT. That is correct, sir, we have no problem in recruiting.

Senator ANDREWS. I also serve on the Defense Subcommittee. One of our problems is maintaining the Reserve at its strength.

General ROBERTS. That is not true of the Coast Guard. We have no shortage.

Senator ANDREWS. Second, even though the other reserves are below their strength, you are below what would be comparable to them, based on your historic relationship vis-a-vis the Army and the Navy and the Air Force Reserve?

General ROBERTS. We are below the authorized strength.

Senator ANDREWS. By mandate of Congress, not by lack of individuals to sign up?

General ROBERTS. That is right.

Senator ANDREWS. The other reserves are low because people won't sign up, but yours are there ready to serve and it is the Congress in the past who has put in the constraint?

General ROBERTS. Yes.

Captain MATT. If I may quote some statistics quickly, we are at a level of 53 percent of our mobilization requirement in terms of our on-board strength as a result of funding or lack thereof.

The other services are up in the 75 to 80 percentile by comparison.

Senator ANDREWS. Thank you very much.

Captain MATT. Thank you, Mr. Chairman.

[The statement follows:]

STATEMENT OF MAJ. GEN. J. MILNOR ROBERTS

Executive Director

Reserve Officers Association of the United States

Mr. Chairman and Members of the Committee:

It is a pleasure to have the opportunity to appear before this Committee for a presentation of the views of the Reserve Officers Association (ROA) concerning the United States Coast Guard and the Coast Guard Reserve. I am accompanied by Capt. A. Robert Matt, USCGR, ROA's national Coast Guard Affairs Committee Chairman.

As you are probably aware, we testified last September before the House Subcommittee on Coast Guard and Navigation during their Coast Guard oversight hearings. The "Semi-Paratus" report resulting from those hearings contained many of our comments and recommendations. To briefly summarize, however, that testimony concluded with the following recommendations:

1. Recognize the Coast Guard and its Reserve as a military force and insist they be adequately funded whether the source is from DOT or some other source, such as DOD.
2. Provide capital asset funding to the levels stated by the Commandant to insure that the Coast Guard and its Reserve is a viable force in both peace and wartime.
3. Increase the Coast Guard Selected Reserve authorized ceiling by 5,000 billets at the rate of 1,000 per year for the next five years.
   a. Provide increased funding to support this Selected Reserve build-up to a level of 16,500 (approximately $150 million) to insure a viable Coast Guard Reserve.
4. Immediately authorize an increase in Reserve Flag billets from two to four. Over a period of five years increase the authorized number of Captains from 75 to 150 and Commanders from 350 to 600.
5. Provide for legislation mandating the Secretary to utilize a Reserve Flag Officer as the Chief of Reserve under 10 U.S.C. 265.

The concerns and conclusions presented during that testimony remain valid. The only actions which have occurred subsequently have been ones which further exacerbated the already perilous plight of the Coast Guard - I refer to the FY 1982 reductions and the absolutely appalling FY 1982/1984 budget proposal, which incorporates even further reductions.

Before that House Subcommittee, we concluded that the Coast Guard and Coast Guard Reserve are not fully prepared to meet their statutory military duties as prescribed in 14 U.S.C. 1, which provides for the Coast Guard to be "...a military service and branch of the armed forces of the United States at all times." Unfortunately, nothing has occurred in the intervening months to allay our concern or change our conclusion!

Even though this is a hearing on the 1983/1984 Appropriations, I would like to comment briefly on the FY 1982 funding situation for the Coast Guard. There appears to be general consensus on both sides of Capitol Hill that supplemental funding is essential if the Coast Guard is going to continue operations at the FY 1981 level. To that end, ROA strongly supports passage of S 2022 and HR 5348. We stand ready to assist in any way your efforts to gain this vitally needed funding. However, we are concerned that neither supplemental bill fully meets the requirements, nor does the $48 million in emergency supplemental appropriations for the Coast Guard contained in HR 5922. We understand that the sponsors of each bill realize this, having incorporated different portions of the shortfall in their respective bills. Nevertheless, since neither bill is considered all-encompassing, ROA is concerned that some essential function may not be provided for in the "patchwork" approach.

Our analysis indicates that a total of $214.6 million in supplemental funding will be required by the Coast Guard in FY 1982. An itemization of the total supplemental amount supported by ROA is set forth below.

Operating Expense 4% 1982 Offset	$46.3 million
Military Pay Increase	89.0 million
Civilian Pay Increase	5.0 million
Reserve Training	5.5 million
Mandated Support	20.8 million
Fuel Cost Increase	11.9 million
Aircraft level operations (HU 25A follow-on)	7.8 million
Miscellaneous Increases (Medical, Postal, Telecomm, Etc.)	14.3 million
A, C & I	10.0 million
R, D, T & E	4.0 million
Total:	214.6 million

An item of particular concern to ROA obviously is the Reserve Training shortfall. In the on-going crisis situation surrounding the Coast Guard, very little is mentioned about the Reserve. In all honesty it generally appears to be completely forgotten. However, as we have noted numerous times, the Coast Guard Reserve is essential to the accomplishment of the Coast Guard's port security mission, a mission which, according to most National Security authorities, is the Coast Guard's primary mobilization responsibility. However, without $5.5 million in supplemental funding, Reserve training will be seriously affected. The readiness capability of the Coast Guard Reserve is already in question as a result of capital asset shortages. Further diminution of training will worsen an already borderline situation. For example, without this additional funding, 600 officers and 2150 senior enlisted personnel will either voluntarily perform training duty in 1982 without pay, or not at all! Additionally, no enlistement or reenlistment bonuses are being authorized for Coast Guard Reservists throughout all of Fiscal Year 1982. The adverse impact on mobilization readiness training of these measure is patently obvious and the situation can only be evaluated as totally unsatisfactory.

One final item concerning FY 1982 funding - on 26 February 1982, the Secretary of Transportation announced to the Senate Appropriations Transportation Subcommittee that the previously announced reductions involving SAR functions, air stations,

two district offices and most cutters would not take place. Furthermore, since this decision left the Coast Guard "hanging-out," that a $15.5 million supplemental request to cover these items would be submitted to the Congress. Transportation spokesmen now say that they will support such a supplemental request, but will not introduce it. In testimony before several Congressional Committees this spring, Administration officials have acknowledged not only the inadequacy of the FY 1982 budget but also their submissions for FY 1983/1984. Revisions have been promised but not forthcoming. It appears doubtful if any administration revisions will be submitted prior to Congressional action on the FY 1982 Supplemental and the FY 1983/1984 Budget. Acceptance of such foot-dragging and parlimentary "hocus-pocus" is playing into the hands of those who would thwart Congressionally mandated missions. Such callousness and breach of faith with Congress is incredible, but, unfortunately appears to accurately reflect the degree of non-support currently being provided the Coast Guard by DOT and OMB.

Turning now to the 1983/1984 Appropriation for the Coast Guard. There can be no question but that the budget proposed by the administration is totally inadequate. This budget proposal -- which calls for a 20% decrease in funding compared to what Congress appropriated in 1982 -- would cause irreparable damage to the Coast Guard. The Administration's plan -- if implemented without change -- would result in:

- a 30% reduction from 1980 in Coast Guard cutter hours for general law enforcement, including drug law enforcement;
- a 42% reduction in cutter hours for fishery law enforcement;
- a 45% reduction in aircraft flight hours for general law enforcement;
- a 37% reduction in aircraft hours for fishery law enforcement;
- a reduction of 3,100 -- or 9% -- in Coast Guard active duty military personnel;
- a reduction of 1,300 -- or 11% -- in Coast Guard Reserve military personnel;
- the immediate mothballing of 18 newly-procured medium range surveillance aircraft;
- a 40% cut over two years in the Coast Guard's small - but highly efficient -- research and development program; and

- a reduction in the Coast Guard's original request for 1983 procurement funds from $670 million to $19 million, a cut of more than 97%.

While the Senate Commerce Committee has introduced legislation (S 2252) which significantly increases the FY 1983/1984 authorization over that requested, we do not believe that this increase is sufficient. Accordingly, we wholeheartedly endorse the House Committee on Merchant Marine and Fisheries action concerning the authorized levels of funding and manning for the Coast Guard in FY 1983/1984. While we have no specific opinion regarding several of the sections contained in HR 5617 involving reports, bridge responsibilities and regulations, certification standards, etc., ROA most strongly supports the following House Subcommittee proposals and would urge similar Senate action and funding support in consonance therewith.

1.	Operating Expenses	$1.842 billion (1983) $2.026 billion (1984)
2.	A, C & I	$670 million (1983) $700 million (1984)
3.	R, D, T & E	$30 million (1983) $33 million (1984)
4.	End-of-year strength	41,500 (military) 5,484 (civilian)
5.	Student-year levels	3,660 (recruit and special training) 118 (flight training) 655 (professional training) 1,308 (officer acquisition)

For the first time in many years, these levels, if passed, would provide a small amount of real growth in the Coast Guard. Such a trend upwards is absolutely essential if the Coast Guard is going to adequately perform its peacetime responsibilities and maintain the statutorily mandated level of military readiness for wartime. Again, we in ROA stand ready to assist in any way possible.

The United States Coast Guard is by statutory mandate one of this Nation's Armed Forces. ROA's concern is the fact that it is rapidly ceasing to be one. We have observed that advocates in the administration have, by design or neglect, reduced the ability of the Coast Guard to maintain its state of military readiness. The Department of Transportation is required by law

to provide resources necessary to insure readiness of the Coast Guard for wartime operations with the Navy in order to fulfill its assigned funtions as a specialized service. Those responsibilities are not a mere adjunct to the Coast Guard's peacetime duties, but are the center piece to the whole of the Coast Guard's roles and missions. ROA believes that the nation should be able to rely on a Coast Guard that can meet its vital mission in the event of war and objects to any attempt to reduce the basic Coast Guard support of our national security. All that the Coast Guard does in its peacetime role of law enforcement and the facilitation of safe maritime passage contributes directly to its wartime mission. All personnel and equipment of the Coast Guard and the Coast Guard Reserve have wartime commitments. The recent cut-backs of the peacetime resources of the Coast Guard directly affect the viability of t. Coast Guard and the Coast Guard Reserve to meet its assigned wartime assignments within the Navy.

For some reason, the Coast Guard does not enjoy any enthusiastic support from OMB. As we all know, it was the only military service whose budget was not increased when President Reagan submitted a supplemental Fiscal Year 1981 defense budget and an amended FY 1982 budget last March. The 1983/1984 submission follows the downward trend with a vengance! Reasons for the Coast Guard's budget problems at OMB are not clear. But some of the staffers who oversee the Transportation Department (and therefore Coast Guard) budget may be as unethusiastic about the Service's peacetime duties as they are about equipping it better for wartime roles.

It certainly is obvious to anyone who has followed the recent attempts to reduce Coast Guard operations, that there is clear evidence of Department of Transportation determination to thwart Congressionally mandated missions. During the last decade, while residing in the Department of Transportation, the Coast Guard has experienced crew reductions on their 27 year old average age ships -- certainly not a indicator of strong departmental support. The proposed FY 1983 budget indicates a

continuing reduction of approximately 10 percent of the regular forces and 11 percent reduction in Reserve forces, with no increase in operating expenses and the A, C & I account. All this is occurring while the other Armed Services are receiving significant budget increases.

The recent efforts to civilianize the port safety and port security function by several managers in DOT and OMB have further threatened the military character of the Coast Guard and Coast Guard Reserve. The expertise of the Coast Guard in this vital field is this nation's insurance for the safe flow of strategic personnel and materials through the port.

Whatever the reason, there are those in DOT and OMB who appear to be promoting the eventual demise of the Coast Guard. I have appended a recent article from "NEWSDAY" in which the writer has drawn the same conclusion. His investigative report has uncovered several other very disturbing facts of which this committee should be aware.

I would like to summarize other letters which we have also appended to our prepared statement.

1) William Clark, the White House National Security Advisor, in a letter to Secretary of Transportation Drew Lewis, expressed concern about the apparent direction being taken by the Coast Guard Roles and Mission Study. He noted the "grave reservations" of the Defense Department with the study draft paper and directed that the study take full cognizance of the Coast Guard's contribution to national security. He warned the Secretary not to make major changes in the Coast Guard which would dilute the administration's long overdue improvement in national defense.

2) Louis Guiffrida, Director of the Federal Emergency Management Agency, in a letter to the Deputy Secretary of Transportation, Darrell Trent, expressed similar concerns and stated, "an effective Coast Guard is vital to national security."

3) Francis West, Assistant Secretary of Defense for International Affairs, in a letter to the Assistant Secretary of Transportation pointed out the inconsistency of the study draft paper and the ongoing NAVGUARD Board efforts. He recommended redrafting to reflect the statutory and historical view of Coast Guard Roles and Missions.

4) Finally, in a letter to Deputy Secretary Trent, Colonel Moretti, Chief of Staff, Military Traffic Management Command, questioned the study recommendation which would transfer port safety responsibility to state and local governments. He stated that the primary responsibility, which currently resides in Coast Guard, to safeguard United States ports should be increased - not delegated hither and yon!

I commend the NEWSDAY article and the letters to the subcommittee's attention. They most cogently set forth the national security concerns which are involved in current efforts to down-grade the Coast Guard.

ROA concurs completely with these expressed concerns and deplores in the strongest possible terms these attacks on the Coast Guard. As we stated in September, the military readiness of the Coast Guard and Coast Guard Reserve must be increased - not diminished! Both are absolutely essential to the successful implementation of the concept of rapid deployment and strategic mobility. We must, as a nation, recognize the contribution of the Coast Guard and Coast Guard Reserve to our national defense and fund them accordingly.

In view of the continuing lack of support of the Coast Guard military readiness mission within the Department of Transportation, the ROA adopted resolution Number 82-4 on 16 February 1982, supporting transfer of the Coast Guard to the Department of Defense. The full resolution is appended for your information; however, I would like to take a moment to comment on the resolve clauses of this resolution.

"BE IT RESOLVED that the Reserve Officers Association of the United States supports legislation to transfer the Coast Guard and Coast Guard Reserve to the Department of Defense in its present organizational form and current mission; and

BE IT FURTHER RESOLVED THAT the Reserve Officers Association of the United States urges the President and the Department of Defense to fund the Coast Guard to a level adequate to effectively carry out its lawful missions."

This resolution was enacted with the full recognition that ROA was concerned, not so much with where the Coast Guard fits organizationally, but to insure that it fits within a department where the national security issue will be recognized and supported. We realize that the present problem is not automatically solved with a move between departments. It may well be that there is a more fundamental question to be dealt with - that being lack of Departmental support which will enable the Coast Guard to meet its Congressionally mandated mission, both in war and in peace.

One final area of concern which I have not yet specifically addressed is the proposed strength reduction of the Coast Guard Reserve. Since the strength of the Coast Guard Reserve is set by the Armed Services Committees, it is not addressed in the aforementioned authorization bills, S 2252 and HR 5617. The HASC has increased the Reserve strength to 12,000 for FY 1983, its current level. The SASC accepted the administration's proposed reduction to 10,700. Regardless of what level will be agreed to in Conference Committee action, Reserve strength authorizations represent a floor, not a ceiling as is the case with active duty end strength. Nothing prevents Congress from funding a higher Reserve strength than that authorized; for example, the FY 1982 Naval Reserve authorization was 87,000 - Congress funded an average strength of 94,000. The proposed Reserve reduction is so totally lacking in logic that we urge all members of Congress take the necessary action to reverse this proposal.

ROA is appalled that the administration proposes a Reserve strength for FY 1983 of 10,700 -- a <u>reduction</u> of 1,300 from FY

1982. Last year Congress authorized the first increase in Coast Guard Reserve strength in over 10 years, albeit a small one. All indications were that the Armed Services Committees were prepared to recommend an increase of 1,000 for FY 1982 as part of a phased increase towards the goal of 16,500. Inexplicably, however, the Coast Guard indicated an inability to process more than 300 additions. Accordingly, only a 300 man year average increase was approved.

To propose a reduction in a Component which is currently authorized at only 55 percent of its wartime requirements, is totally absurd - particularly in view of the fact that the other Armed Services Reserve Components are authorized at a strength averaging 86 percent of mobilization requirements. Admiral Vaughn recently testified that even when both the Selected Reserve and the IRR are mobilized, the Coast Guard will still fall some 6,000 people short of the 22,000 mobilization requirement (which requirement itself is probably low - not having changed in over ten years). This proposed reduction is simply incomprehensible.!

ROA strongly recommends that, as a minimum, the Coast Guard Selected Reserve strength be increased to 75 percent of current stated requirements - 16,500; and that a target date for attainment of this strength be established as 30 September 1985. To that end, ROA strongly urges that the Coast Guard Reserve be funded to an average strength of 13,200 for FY 1983 - a level which we believe to be reasonably attainable.

We understand the pressures under which you are operating this year. Nevertheless, we must emphasize the seriousness with which we approach the issue of Coast Guard funding. The Coast Guard -- in our judgement -- provides a host of services which are absolutely essential to the military readiness, health, safety, economy, and environment of the United States. They have the support of the American people. They need the support of the U.S. Congress.

In accordance with our Congressional Charter, to insure adequate national security, the ROA is advising this Committee that the Coast Guard and the Coast Guard Reserve must be recognized as an armed force. Further, that they must be provided with fiscal support commensurate with the other armed forces and at a level adequate to effectively carry out their lawful mission. No less can be accpeted!

Coast Guard Thrown Lifeline in Budget War

By Roy Gutman
Newsday Washington Bureau

Washington—The Coast Guard, known for saving lives at sea, has just been rescued from possible institutional extinction: An attempt by the Office of Management and Budget and the Transportation Department to transform the smallest military service into a civilian agency.

A year-long internal battle over proposals to dismantle the 192-year-old military agency climaxed a little over two weeks ago in a letter from White House National Security adviser William Clark to Transportation Secretary Drew Lewis, whose agency runs the Coast Guard.

Signing "for the President," Clark all but ordered a group studying the Coast Guard's roles and missions to scuttle preliminary proposals that defense sources said would lead to the transfer of its military functions to the Navy and a drastic cut in its civilian functions.

One proposal was to alter the statute that transfers the Coast Guard to the Navy in time of war; a second was to treat its peacetime roles as 65 per cent civilian and 35 per cent military.

Noting that the Defense Department had registered "grave" and "significant" reservations, Clark said such calls for "major changes . . . may well dilute our administration's long-overdue improvement in defense capabilities."

Although that dispute seems to have been resolved, it is only one of the battles being fought by the 39,000-strong service, whose missions range from rescuing fishermen in distress and battling drug-running to patrolling fisheries and monitoring the marine environment.

In some ways, the Coast Guard is like a myriad of agencies fighting budget director David Stockman's axes on two fronts: behind the scenes for its long term survival and in public for short-term funds to run basic services.

Documents made available to Newsday indicate that what saved the Coast Guard's long-term role was powerful allies in the other military services and on Capitol Hill.

As related by congressional and other sources, the conflict centers on a group of career officials and political appointees in the OMB and allies in the Transportation Department.

One leading figure, associate OMB director Annaliese Anderson, did not answer requests for an interview. And Deputy Transportation Secretary Darrell Trent denied that the study group had considered dismantling the Coast Guard.

Many Coast Guard officials think the agency's problems have developed because the Reagan administration viewed it mainly as a regulatory rather than a military and law-enforcement agency. Others offer an equally plausible explanation—that as a small hybrid agency under Transportation Department authority, no one at the very top ever focused on it.

The roles and missions study was first proposed by the Coast Guard commandant, Adm. John Hayes, to examine ways of matching the service's limited resources to the responsibilities piled on it by Congress in the 1970s, including patrolling of the 200-mile coastal zone, teaching of boating safety and enforcement of antipollution laws.

Hayes would not comment in an interview on the study, which is officially not due to be completed before the end of this month.

But sources close to the Coast Guard said senior officers were unhappy about both the thrust of the study and the fact that it gave an opening to those in the OMB who for years have been seeking to trim the Coast Guard.

In an internal document last March, OMB examiners proposed that the Coast Guard be trimmed within five years to 15,000 civilians and 2,000 military personnel, and that a civilian administrator replace the military commandant. The Guard's 378-foot cutters would be transferred to the Navy Reserves, teams responsible for buoys and other navigation aids would be transferred to the Army Corps of Engineers, polar icebreakers would shift to the military sealift command, and the Coast Guard Academy in New London, Conn., would close. That would leave the Coast Guard with its traditional search-and-rescue mission and some law-enforcement duties.

Responding to a memo outlining the review, Stockman wrote to OMB aides to "take a hard-nosed attitude toward the Coast Guard" with the aim of minimizing its missions and resources.

The policy group was chaired by Trent. Its members were Hayes, Anderson, two assistant transportation secretaries, and Francis West, the assistant defense secretary for international security affairs. Their senior staffs, including OMB Coast Guard examiner Nicholas Steer, took up the Coast Guard missions, one by one. The biggest controversy developed over OMB and Transportation Department proposals to turn over the Coast Guard's main military function, port security, to local authorities, sources close to the study group said. Senior Coast Guard officials derided this as a "rent-a-cop" philosophy. The Coast Guard reserves, already far under strength, would be disbanded or sharply reduced.

When a staff report recommended that the Pentagon foot the bill for Coast Guard readiness, West—reflecting the view that the proposal was an attempt to water down the Coast Guard's independent role—reacted strongly. He wrote Assistant Transportation Budget Secretary Donald Dermun on Dec. 8 that the Defense Department "objects to any attempt to reduce the Coast Guard's basic support of our na-

tional security."

When that intervention failed and a new draft in late January contained similar proposals, West went to the National Security Council, prompting Clark's letter, according to administration sources.

All the while, the day-to-day budget fight continued, with the players largely the same.

In both the short and long term, the Coast Guard budget, just over $2 billion—about 1 per cent of the defense budget—does not yield easily to cuts. In fact, the 4 per cent cuts ordered in December have created a severe crunch.

On Jan. 22, the Coast Guard announced nationwide cutbacks, including decommissioning of 11 of its 45 high- and medium-endurance cutters, closing of three air rescue stations and cutbacks or closures of 31 other search-and-rescue stations. Services to Long Island are virtually unaffected by the cuts because of the volume of marine traffic and boating in the area.

However, the Coast Guard is removing more than 575 of the 2,300 buoys and other aids to navigation maintained in the greater New York region and is closing a one-man recruiting detachment in Bay Shore. In addition, more than 100 enlisted men have been mustered out, the patrol of eastern seaboard fisheries has been virtually eliminated, and a marine traffic control service planned for New York Harbor has been abandoned.

When the Coast Guard district commander in Long Beach, Calif., Rear Adm. Alfred Manning, told reporters this might lead to loss of life, Lewis' spokeswoman Linda Gosden exploded, a Coast Guard source said.

Hayes and his district commanders were reminded to clear all interviews through the Transportation Department, Manning canceled a subsequent network television interview and Hayes issued press guidance saying the cuts were largely management efficiencies. In Coast Guard posts outside Washington, this was regarded as "muffling" if not outright "muzzling."

Amid a storm of protest over the cuts, Lewis, flanked by Hayes, told a Senate subcommittee on Feb. 26 that the air stations and search-and-rescue functions would not be cut back, that most of the cutters would be saved, and that two district offices would be retained as part of a $16-million supplemental budget request.

But as of a week later, Transportation had not requested the funds, and a spokesman said it was not certain whether it would. A source close to the Coast Guard privately accused Lewis of taking advantage of Hayes' loyalty and refusal to challenge him in public. Neither Lewis nor his spokeswoman responded to requests for explanation.

Except for the military services, tight budgets are a fact of life in Washington today. For budgeting purposes, the Coast Guard is treated as a civilian agency. And many senior Coast Guard officials think they will be on the losing end of the budget battle, whatever the outcome of the study.

Meanwhile, the Coast Guard estimates its real need for supplemental funds as being at least $50 million beyond the Transportation proposal, and there are bills in both houses of Congress to provide that amount if not more. Whether the Coast Guard receives any of those funds or not, the cutting services again now appears to be up to Congress.

THE WHITE HOUSE

WASHINGTON

February 16, 1982.

MEMORANDUM FOR THE HONORABLE ANDREW L. LEWIS, JR.
Secretary of Transportation

Subject: Coast Guard Roles and Missions Study

I am concerned about the direction we appear to be headed in the ongoing Coast Guard Roles and Missions Study. In recent correspondence, the Defense Department has expressed grave reservations with the draft paper on "Military Operations/Military Preparedness/Reserve Training." My staff has reviewed the most recent draft of this paper. We believe that the issues articulated by Defense are significant and worthy of consideration by the Roles and Missions Study Policy Committee in their March review.

We appreciate your need to examine opportunities for improved efficiency and economy in the operation and management of the Coast Guard. Specific recommendations, however, must take full cognizance of the Coast Guard's contribution to national security. A call for major changes to the organization's military/civilian personnel mix, or to the provisions for statutory transfer to the Navy in time of war may well dilute our administration's long-overdue improvement in defense capabilities.

Would you please insure that your Policy Committee considers these views in their forthcoming deliberations.

FOR THE PRESIDENT:

William P. Clark

Federal Emergency Management Agency
Washington, D.C. 20472

FEB 12 1982

Honorable Darrell M. Trent
Deputy Secretary
U. S. Department of Transportation
400 Seventh Street, S. W.
Washington, D. C. 20590

Dear Mr. Trent:

I appreciate the opportunity to comment on the "Port and Environmental Safety & Marine Environmental Response" portions of the United States Coast Guard (USCG) Roles and Missions Study. (A detailed analysis of the document is provided in the enclosure). This document was reviewed from the standpoint of the responsibility delegated to me by Presidential Executive Order 12148, paragraph 2-102, which requires that I periodically review and evaluate the civil emergency functions of the executive agencies. I am further required to annually report to the President on the current overall state of effectiveness of Federal civil emergency functions.

In addition to the environmental safety and response considerations in the document, I am seriously concerned about other aspects of Coast Guard emergency preparedness and readiness activities, and would appreciate knowing how you are addressing such broader emergency preparedness issues as port security, including the responsibilities of the Captain of the Port (COTP) during mobilization, the adequacy of readiness planning and the training and utilization of the Coast Guard Reserve, as it relates to emergency mobilization matters. A study of one portion of the total problem, followed by the implementation of recommendations based on that study in isolation from related elements, may well have detrimental implications to the overall emergency preparedness of other important responsibilities.

In order that we may adequately review the overall proposal of realignment of USCG Roles and Missions, and their potential impact on emergency preparedness, I would request that we be provided copies of the studies of the following programs, as well, in addition to the crosscutting issue paper referred to on page 4 of the environmental safety and response document which we have reviewed:

Enforcement of Laws and Treaties (ELT)
Military Preparedness (MP)
Reserve Training (RT)

Our concern for the effectiveness of the Coast Guard's ability to perform critical emergency preparedness functions is heightened by our awareness of the proposed FY 82/83 USCG budget reductions. An effective Coast Guard is vital to national security. After our review of the additional studies that we have requested, we would like an opportunity to discuss the matter with you.

Again, thanks for the opportunity to review this study.

Sincerely,

Louis O. Giuffrida
Director

Enclosure

ENCLOSURE

FEDERAL EMERGENCY MANAGEMENT AGENCY
ANALYSIS OF
UNITED STATES COAST GUARD
ROLES AND MISSION STUDY

PORT AND ENVIRONMENTAL SAFETY &
MARINE ENVIRONMENTAL RESPONSE

GENERAL COMMENTS:

1. The study of the PES/MER program activities was made without addressing the implications of these activities on emergency preparedness. Those portions of responsibilities delegated to the Secretary of Transportation in EO 11490 pertaining to the Coast Guard are not all addressed.

2. The study focuses primarily on safety and environmental issues and does not adequately address the provisions for port security and law enforcement over, upon, and under navigable waters of the United States and the high seas.

3. The unique law enforcement authority vested in the Captain of the Port (COTP) is not discussed. Within the navigable waters of the United States and the land and facilities adjacent to them, and on the high seas, the COTP is empowered to stop, search, seize and arrest persons and things in violation of Federal law. This unique legal authority is necessary for the physical safety of people and property in the port areas and for national security in times of extreme emergency. This authority is carried out through Coast Guard personnel and cannot be delegated to State/local or other Federal law enforcement agencies.

4. Reduction of boats/facilities must be viewed on the impact of wartime or national emergency periods because the Coast Guard Reserve is dependent on peacetime assets of the Captain of the Port.

SPECIFIC COMMENTS:

Page 6, 1st paragraph: States that, "Security at critical ports in war or national emergency ..... is the principal tasking for the Coast Guard Reserve." It should be made clear that is only in wartime. Prior to mobilization this is the responsibility of the COTP and personnel in PES/MER activities perform this role as needed. Reduction in PES/MER personnel and craft also reduces the COTP's ability to perform port security.

Page 10, last paragraph: Responsibilities delegated by EO 11490 are not addressed.

COTP Workload Chart: We challenge the assumption that decrease in productivity expectations will result in proportional decreases in activity and that decrease in preventive activities will not increase workload.

Page 17: Facility inspections need to address inspections for the purpose of port security. In a study just being started by FEMA, congressional inquiry, and other items are requiring greater involvement by COTP in this area.

Page 33: There has been an increase of terrorist threats and attacks on off-shore and port facilities and this type of threat should be discussed.

Page 34: Statistics on shipping should include effect of greater use of LNG and growth and development of new LNG facilities.

Page 37, Terrorism: It should be noted that although marine terrorism is less than 2% of terrorist acts, statistics are growing rapidly. There is a large threat on private boating by drug traffic and reduction of CG presence may add to the problem. The most dangerous terrorist group, the FALN, is not discussed. The President's announcement of favoring Puerto Rico statehood is expected to cause increasing terrorist acts by this group.

Page 41, "designated waterfront facility": This definition should also include facilities critical for national security (Port of Embarkation, etc) - EO 11490.

Page 47 - Wartime Implications: In our present environment of potential terrorist wartime standards may be needed in peacetime. Facility inspections cannot be shifted to local government because there are national security issues regarding port security that are classified and cannot be discussed outside the Federal Government. It is also impossible to delegate the unique law enforcement authority of the COTP as discussed in the general comments. Further, the wartime role is carried out by the Coast Guard Reserve, using boats and other equipment of COTP. If these peacetime assets are reduced beyond a limit, wartime readiness is jeopardized.

Pages 48, 49: Strongly disagree with the conclusion that capabilities to deal with problems on land can be readily transferred to a wartime situation. The results of many exercises on file with the Coast Guard, FBI, et al, indicate that isn't so. Law enforcement agencies (both local and FBI) don't have authority on the high seas. FBI seaskimmer has ended exercises, etc. We cannot address the issue of terrorism from the "threat" viewpoint; it must be addressed from the "risk" viewpoint, (i.e., can we accept the risk of a large ship sunk in the Houston channel?, rather than what is the threat of a ship being sunk in the Houston channel?)

Page 83: Again, the issue of threat versus risk is involved. A review of war plans reveals the potential of very unacceptable risks that cannot be allowed, because of a very low threat perception.

Page 84: Disagree with the summary. Wartime port security requirements are elaborated in great detail. Exercises, NIFTY NUGGET and PROUD SPIRIT point to substantial shortfalls in active and ready reserves Coast Guard personnel just to handle "military essential" missions. For purposes previously discussed, the Coast Guard functions of port security cannot be given to local government. Although some auxiliary personnel were used in World War II, the overall record shows that use of auxiliaries was unsatisfactory because of lack of training, physical fitness, non-uniform equipment, etc.

Page 85, Conclusion 2: It should be stated that this data is for civilian use. In wartime all U. S. oil reserves must be shipped to the theater of war.

Conclusion 16: Failed to address the issue that routine vehicular, boat and aerial surveillance patrols have a major spinoff on boating (public) safety and security by their presence. When you remove the policeman from his beat because crime has been reduced, crime increases.

Conclusion 17: This conclusion cannot be accepted because the Coast Guard Reserve owns next to nothing in boats, aircraft, etc. The wartime port security is too vital to risk a lack of readiness.

Conclusion 18: For the various issues discussed, changes to peacetime surveillance will be challenged. A detailed risk assessment (classified) can be provided to justify continuation and improvement of the surveillance concept during a mobilization.

Conclusion 19: The COTP cannot delegate his Port safety responsibilities. National concerns must be addressed and resolved with national resources and authorities.

Conclusion 21: For security reasons local governments are not part of the planning, training and exercise programs for wartime. It becomes very expensive to include local government in these activities, thus to provide Coast Guard resources.

Conclusion 22: The Lead Agency for the development contingency plans is FEMA. Because of ever increasing risks, FEMA guidance being developed will require a greater Coast Guard involvement in contingency planning.

Conclusion 23: On the water, counter-terrorism executive responsibility is all Coast Guard because of the unique authority of the COTP, which has been discussed in the general comments. Extensive training in crisis management should be considered.

Recommendation 1: The wartime capability is developed by peacetime requirements. Port safety inspections also serve as port security. Coast Guard cannot delegate that mission.

Recommendation 12: Counter-terrorism water is a Coast Guard responsibility and local agencies cannot be counted on to respond to a Federal problem. CG files on recent bomb/extortion threats to oil rigs in the Santa Barbara channel in California will give a reality to this issue.

Recommendation 15: Non-concur. Peacetime activities should be aimed on the basis of wartime and/or security increased periods. National defense is the driving force.

Recommendation 16: Department of Defense has an ongoing re-evaluation progr[illegible] based on intelligence input. FEMA is taking a more active role in carrying out its responsibility of EO 10421 in ensuring coordination of security requirements among agencies.

ASSISTANT SECRETARY OF DEFENSE

WASHINGTON, D.C. 20301

8 DEC 1981

In reply refer to:
I-15907/81

MEMORANDUM FOR THE ASSISTANT SECRETARY OF TRANSPORTATION FOR BUDGET AND PROGRAMS

SUBJECT: Coast Guard Roles & Missions Study

We appreciate the opportunity to provide comments on the draft of the above study, and to participate in the process which is producing the study.

The principal concern of the Defense Department lies with the draft paper on "Military Preparedness/Military Operations/Reserve Training." The paper seems designed to limit the Coast Guard's military activities to the extent possible. Indeed, the paper at several points appears inconsistent with some of the ongoing Navy-Coast Guard Board (NAVGARD) efforts.

The Coast Guard has an explicit statutory duty from its modern origins to be at all times a military service and a branch of the Armed Forces. It is required to maintain a state of readiness to function as a specialized service of the Navy in time of war. These responsibilities are not a mere adjunct to the Coast Guard's other duties, but a centerpiece of the Coast Guard's roles and missions. The Department of Defense relies on the Coast Guard to meet vital requirements in the event of war, and objects to any attempt to reduce the Coast Guard's basic support of our national security.

The Navy and Coast Guard maintain a close working and planning relationship, which includes Navy funding of certain military hardware on Coast Guard vessels. However, to imply as this paper does (pp. 58-59) that the Navy should reimburse the Coast Guard for the cost of the Coast Guard reserve, additional cutters, and military readiness training time is to stretch Navy support for the Coast Guard beyond reasonable limits.

We recommend that this paper be redrafted in close cooperation with the Navy to more closely reflect the statutory and historical view of Coast Guard roles and missions.

F J West Jr

FRANCIS J. WEST, JR.
ASSISTANT [illegible]
(INTERNATIONAL [illegible])

cc: The Secretary of the Navy
Chief of Naval Operations

HEADQUARTERS
MILITARY TRAFFIC MANAGEMENT COMMAND
WASHINGTON, DC 20315

10 FEB 1982

Honorable Darrell M. Trent
The Deputy Secretary of Transportation
400 Seventh Street, SW
Washington, DC 20590

Dear Mr. Trent:

We appreciate the opportunity to comment on the study of Coast Guard Roles and Missions forwarded by your 27 January 1982 letter. Our comments are based upon the Military Traffic Management Command's (MTMC) perspective as the Department of Defense (DOD) traffic manager with responsibility for DOD common-user ocean terminal cargo operations. This perspective includes port and ship safety and port security.

Concerning port safety, the premise that state or local governments could assume these environmental and safety responsibilities is questioned. Enforcement would be hampered by jurisdictional boundaries, lack of uniformity in controls, and slow response time in emergencies. MTMC is concerned that the loss of continuity in operations among ports used by DOD, resulting from transfer of functions to various state jurisdictions, would severely impact the ability of DOD to rapidly deploy forces. We recommend these responsibilities not be transferred to state or local governments.

Safeguarding US ports and water terminals from sabotage, terrorist activities, and maritime incidents is seen as a primary Coast Guard responsibility. This activity must be expanded to provide additional port security during contingencies to assure that US strategic mobilization is not jeopardized by port disaster. We recommend increased support of the Coast Guard port security responsibilities and discourage any delegation of these responsibilities to state governments. This will ensure a centralized port security program and avoid the possible fragmentation of responsibilities among state organizations.

The Contingency Response Program was initiated by MTMC under provisions of the Defense Production Act of 1950 to increase communication and provide quick response between various government agencies and the commercial transportation industry. The Coast Guard is a member of the Contingency Response team. We recommend that additional contingency procedures be established by the Coast Guard to increase communication and provide effective response between Coast Guard, MTMC, and other agencies in matters of port safety and port security.

Specific comments and a copy of the MTMC Contingency Response Program pamphlet are inclosed.

Sincerely,

F. C. MORETTI
Colonel, GS
Chief of Staff

2 Incl
As stated

SPECIFIC COMMENTS

1. Page PES/MER-37, line 4: Effects of accidents with hazardous cargoes of particular hazard (COPH) are not limited to explosives, but may involve toxic fumes, fires, radiation, poisoning of all varieties, etc.

2. Page PES/MER-42, lines 16 and 17: There is a negative underlying assumption in this statement that safety is not profitable. This is not true and counter-productive to Coast Guard goals. Recommend rewrite to reflect a more positive attitude toward safety.

3. Page PES/MER-47 last sentence: MTMC is concerned with port security at military owned common-user facilities and commercial facilities where the movement of DOD cargo is managed by MTMC. Department of the Navy, of course, is concerned with port security at their tidewater and fleet operation facilities.

4. Page PES/MER-48, line 17: Recommend the Coast Guard develop contingency procedures to ensure rapid response in any port emergency. These procedures could be used in support of MTMC's Contingency Response (CORE) Program and could be tested in contingency response exercises. It is envisioned that these procedures could be as minimal as a telephonic contact listing.

Resolution No. 82-4
(Coast Guard)

RESERVE OFFICERS ASSOCIATION OF THE UNITED STATES

Transfer of Coast Guard to Department of Defense

WHEREAS, the Joint Chiefs of Staff now recognize the importance of the Coast Guard for strategic mobility in the defense of this Nation; and

WHEREAS, the Joint Chiefs of Staff have now established policies that require co-ordination with the Coast Guard in matters of strategic sealift, mobilization, coastal defense, and maritime contingency operating; and

WHEREAS, the in-place, Coast Guard military command, control, and communications organization in every major port in this nation, represents a strategic mobility asset critical to the wartime missions of the Navy and Coast Guard; and

WHEREAS, the House Subcommittee on Coast Guard and Navigation has now determined that the Coast Guard is currently unable to fulfill its military readiness missions due to lack of resources; and

WHEREAS, the Secretary of Transportation has not provided the resources necessary to insure readiness of the Coast Guard for wartime operations in the Navy;

NOW, THEREFORE, BE IT RESOLVED that the Reserve Officers Association of the United States supports legislation to transfer the Coast Guard and Coast Guard Reserve to the Department of Defense in its present organizational form and current mission; and

BE IT FURTHER RESOLVED THAT the Reserve Officers Association of the United States urges the President and the Department of Defense to fund the Coast Guard to a level adequate to effectively carry out its lawful missions.

Adopted by the National Council
16 February 1982

Attest: J. Milnor Roberts
Major General, AUS (Ret.)
Executive Director

REGIONAL AIRLINE ASSOCIATION

STATEMENT OF DUANE H. EKEDAHL, PRESIDENT

ACCOMPANIED BY ALAN STEPHEN, VICE PRESIDENT, OPERATIONS

Senator ANDREWS. Is Commissioner Burns here from Connecticut?
[No response.]

Senator ANDREWS. Next we have the Regional Airline Association, represented by Mr. Duane H. Ekedahl and Mr. Alan Stephen.

Mr. Ekedahl, welcome to the subcommittee. Your statement will be included in its entirety.

Mr. EKEDAHL. My name is Duane Ekedahl. With me is Alan Stephen. I will deliver a summary and Alan and I will share any questions you may have.

I might say in opening that we have changed the name of our association since last appearing before you, to Regional Airline Association, formerly the Commuter Airline Association of America. We are the same people, those air carriers that provide short-haul, small-community air service.

I might open by focusing on a provision that is important to us, that is, the aircraft loan guarantee program. We are hopeful this does not go the way of most loan guarantee programs at this time, because this had its origins in the Air Deregulation Act. Its purpose was to help assure continued air service to small communities. It is not a subsidy to airlines, not a subsidy to aircraft manufacturers. Quite to the contrary, it is intended to help the smaller air carriers who will have the role, and a continuing role, of providing replacement service, filling these service voids in the small communities in the period ahead.

These are air carriers who at this time have financial problems, and this loan guarantee program is particularly important now. We hope you will agree with us on that.

The amounts that we recommend here are lower than prior authorizations and we would want to bring that aircraft loan guarantee program, specifically for the short-haul commuter regional carriers, to your attention. It is an important part of this authorization.

The other point I would like to make for you today is with respect to the National Air Space plan. The regional carriers were the first to endorse the Administrator's National Air Space plan. We endorsed it really in its entirety with some concern. The important thing is that we agreed to the tax levels that would accrue to our carriers, that is, the ticket tax recommended by the administration, in consideration of the benefits equitable to us.

The three points we make with respect to the plan are that we think it is vital to balance the capacity growth with the modernization of the system; therefore, we recommend the full $725 million for facilities and equipment.

The second point with respect to the National Air Space plan is the need for control on the O. & M. portion of those expenditures. We recommend 50 percent of the airways systems cost as a maximum O. & M. that can be spent so as to preserve the integrity of the trust

fund and assure us that these funds are indeed spent for the purpose for which they are intended.

The final point with respect to the National Air Space plan, with respect to the regional air carriers, we would like to make our opposition to legalization of head taxes and our unanimous opposition to airport defederalization.

It is on that basis we are able to endorse, accept and support the airline ticket tax at these high levels in order to move forward with the very important task of increasing the capacity of our air system in the coming decade. The failure to do this will certainly bring about a crisis in the system.

That concludes the summary of our statement, Mr. Chairman. Mr. Stephen and I will be happy to address any questions you may have.

Senator ANDREWS. The subcommittee took notice of the difference in aircraft purchase funds and tried to emphasize the smaller aircraft. We have been told that there now is a diminished demand for that type of loan guarantee or purchase enhancement type of legislation. Is this true or is the need still there?

Mr. EDEDAHL. Our projections show that the need during this past year, based on the applications received, is very real; it is still there; it is less than the earlier figure of $40 million. We project a need of $50 million. Alan, how many aircraft would be used for small commuter service? It is restricted to aircraft of 60 passengers or less.

Mr. STEPHEN. The tough years for forecasting aircraft purchases have been 1981 and 1982 because of the recession, the air controllers' strike, and slot allocations. We are seeing what we consider is the beginning of a strong resurgence in traffic. We are assured by the Administrator of the FAA that the slot allocation controls will be reduced and that there will be a very strong demand for new aircraft to meet the capacity and new community service needs in 1983.

Fifty million dollars will be inadequate. Given we need $50 million for 1982, we have that many applications on file. We would recommend $50 million as a very conservative estimate for the loan guarantee program. There will be increased requirements for it.

Senator ANDREWS. Thank you very much. Your statement is most helpful.

Mr. STEPHEN. Thank you.

[The statement follows:]

STATEMENT OF DUANE H. EKEDAHL

PRESIDENT

OF THE

REGIONAL AIRLINE ASSOCIATION

I am Duane H. Ekedahl, president of the Regional Airline Association (RAA). Joining me today is Alan R. Stephen, RAA Vice President of Operations. Since we last testified before this subcommittee, the RAA has undergone a change in name. Formerly, we were the Commuter Airline Association of America. The membership voted this change in order to better reflect the greater role that many carriers, formerly classified as commuters, now have in meeting regional air service needs. Although our name is changed, our association continues to represent carriers that are the specialists in providing short-haul passenger and cargo services.

The RAA appreciates this opportunity to appear before the Committee on Appropriations to provide the views of its member carriers regarding the Fiscal Year 1983 budget request of the Federal Aviation Administration.

NATIONAL AVIATION SYSTEM NEEDS

1981, and now 1982, will have been years of great trauma for the air transportation industry. The combined effects of high interest rates, recession, and the air controllers' strike have all come together to leave many carriers in substantially weaker conditions. Through it all, however, basic air service, particularly regional/commuter air service, has been maintained uninterrupted to those 484 communities entirely dependent on such air carriers for all their scheduled air transportation needs.

Earlier this year, FAA Administrator J. Lynn Helms unveiled an ambitious multi-year plan to revitalize our nation's air traffic control

and air navigation system. The RAA has endorsed this plan because we view airport access and air-side congestion (and with them, costly delay and diversion) as the greatest enemies to the future development of U.S. air transportation. Our ongoing experience with limited airport and airways capacity stemming from the air controlelrs strike has been a sobering reminder of how difficult it is to balance free market forces, economic levels of air transportation and community service needs when there is too little hub access to go around. Yet, such administrative slot allocation schemes, as are in use today to maintain control over air traffic demand as a result of an unprecedented work action, might be the only alternative to controlling activity in the future if ATC capacity remains stagnant in face of a growing level of air carrier and general aviation operations.

Today, the entire aviation industry is focusing on the future of our National Aviation System and the comprehensive FAA hardware plan to modernize it. The sooner we enact legislation to implement the next generation ATC, the closer we will be to controlling airside congestion. But, to attain the maximum use of our new investment in air traffic control facilities and equipment, we must also make a commitment to a vigorous program of airport development. Frankly, it makes little sense in our view to expand the airspace system when runway and terminal capacity may cap airport utilization at many hubs.

For longer than we like to recount, the RAA and other industry associations have sought re-enactment of the authorization and revenue titles for the Aviation Trust Fund. In the absence of such legislation, more than $2 billion in residual aviation user taxes have been lost to the U.S. general revenue accounts rather than accruing to the Aviation Trust Fund. These foregone revenues, which increase by more than $100 million each month, might have been used to purchase facilities and equipment such as precision approach/landing aids

and to provide airport construction grants than to have become a mere offset to deficits in other federal programs.

The point we most want to make clear is that this continued delay in the enactment of a revenue title is the worst possible eventuality for aviation users and for our future plans to upgrade the nation's airport and airway system. Since October 1, 1981, none of the taxes paid by users have gone into the Trust Fund. That means that none of our taxes are being reserved for the vital capital improvements to the National Aviation System planned over the coming decade. Yet, at the same time, funds are continuing to be drawn from the Trust Fund pursuant by the annual appropriations act, particularly for ever increasing levels of FAA operations, with the result that the Trust Fund is being depleted at the rate of roughly a billion dollars per year.

Hopefully, the Congress will enact an Airport and Airways Improvement Act this year. But even without passage of this legislation, we see little reason to hold down FAA expenditures for facilities and equipment, and research and development, while virtually gutting the remaining uncommitted trust fund surplus to support FAA operations.

Accordingly, the RAA offers the following recommendations regarding the 1983 FAA appropriations request:

Appropriate a Full $725 Million For Facilities and Equipment (F&E)

The RAA does not believe that it is prudent, or necessary, to hold $300 million of the proposed $725 million in F&E expenditures hostage to the enactment of a revenue title, as the Administration now proposes. With the Trust Fund uncommitted balance likely to be in excess of $2 billion dollars at the beginning of Fiscal Year 1983, and given the urgent safety and modernization needs in our National Aviation System, we believe it makes little sense to appropriate below full requested levels.

Provide Funding For A Vigorous Airport Grants-In-Aid Program (ADAP)

The RAA views the ADAP program proposed by the Administration as wholly inadequate to meet the projected growth of aviation. At a

time when airport access and airside congestion threaten to erode the economic vitality of airline service in the U.S., we do not believe it is a good idea to propose a radical change in the scope of the airport grants-in-aid program funded by the Trust Fund.

The Regional Airline Association remains completely opposed to the defederalization of any of our nation's airports. We do not need to recount why defederalization is a bad idea, why it is contrary to the promotion of competition under airline deregulation, or why it raises equity and administrative issues for the short-haul regional/commuter carriers who do not need the kind of expensive capital investment in runways, taxiways, ramps and terminals that jet air transports require.

The RAA has recommended to the House and Senate authorizing committees that ADAP be funded at $600 million for F.Y. 1982, and at $750 million for F.Y. 1983. Because existing ADAP legislation has expired, the appropriation of $450 million for airports grants-in-aid approved by Congress for F.Y. 1982 remains in limbo pending a new authorization act. We are aware of efforts underway in Congress to assure not only that the F.Y. 1982 appropriation is not lost for lack of authorization, but to raise it to $600 million. We urge this committee to continue its support of ADAP in the temporary absence of an authorizing act and to approve an adequate level of ADAP funding for F.Y. 1983.

Protect The Trust Fund Integrity by Holding Operations Expenditures At No More Than 50 Percent of Airways System Costs

The RAA finds the Administration's F.Y. 1983 budget request for $2.015 billion in FAA operations and maintenance costs unreasonable, if not unconscionable. The Aviation Trsut Fund was established by Congress as a mechanism to provide for much needed capital improvement to the National Aviation System. We believe that underwriting projects that imporve operational safety, capacity and system productivity must remain the first priority of the Aviation Trust Fund, not the

underwriting of FAA personnel costs. Further we note that neither legislation pending before the House or the Senate contemplates FAA operations expenditures at such levels.

FAA AIRCRAFT LOAN PROGRAM

Finally, the RAA urges Congress to continue the FAA Aircraft Purchase Loan Guarantee Program in F.Y. 1983. The Administration proposes to make no such guarantee commitments after this Fiscal Year, despite the useful role this program has had in assisting commuter carriers to purchase aircraft they could not otherwise afford.

Since Commuters became eligible for the Aircraft Purchase Loan Guarantee Program in 1979, there has been a steady demand for such government guarantees:

Commuter Use of the FAA Loan Guarantee Program

Year	Number of Commuter Applications Executed	Total Aircraft Purchased	Total $ Value of Guarantees (millions)
1979	4	5	$ 9.7
1980	16	34	40.5
1981	13	20	28.3
1982 1/	14	31	52.1
TOTALS	47	90	$ 130.6

1/ Total of guarantees executed and applications on file with the FAA as of April 25, 1982.

In 1982, the Loan Guarantee program was restricted for use by air carriers operating aircraft seating 60 passengers or less or a cargo payload capacity of 18,000 pounds or less. The RAA recommends that Congress authorize $50 million for the guarantee of such aircraft for F.Y. 1983.

The purpose of the loan guarantee program is to assure small community air service as stated in the Airline Deregulation Act of 1978. It is not a subsidy for airlines or aircraft manufacturers. It serves a critical purpose at a critical time. At this time, when the regional/commuter carriers are financially weakened, the loan guarantee program is essential if they are to fill the voids in small community air service.

This concludes my formal testimony, I would be pleased to answer any questions you may have.

STATEMENT OF THE HON. CHRISTOPHER J. DODD, U.S. SENATOR FROM CONNECTICUT

Senator ANDREWS. Our next group is from the State of Connecticut, my colleague, Senator Dodd.

Senator DODD. I have with me this morning, Mr. Chairman, Bill Lazarek, our Deputy Commissioner for Planning and Research for the Connecticut Department of Transportation. I have some very brief remarks.

Senator ANDREWS. His whole text will appear in the record.

Senator DODD. Thank you, Mr. Chairman.

I am sure you will recall the conversation you and I had, as well as the colloquy I believe you had with my colleague from Connecticut, Senator Weicker, on the subject of interstate trade-in funds for the Hartford area in Connecticut. Your sensitivity to that special status is something that we are very appreciative of.

In addition, you may recall the conferees supported the original contract authority in the program. Hartford's current needs for projects, Mr. Chairman, in the trade-in program are approximately $66.529 million. The Federal share in this is $56.554 million. If Hartford receives this amount in fiscal year 1983, it will still have been obligated in total less than 20 percent of its trade-in funds.

By contrast, the four other contract authority cities have received as of the end of the current fiscal year—Washington, D.C., 102 percent; Boston, 88 percent; Philadelphia, 83 percent; and Portland, 51 percent.

Again, I emphasize that Hartford comes in at 20 percent. We are trying to get a little equity in relation to the other four contract cities involved.

The technical material I will let Mr. Lazarek go over with you.

I appreciate the consideration given last year. It is not easy dealing with these things. I gather you are going to have some meetings later today with the folks and they will tell you they can't do anything.

Senator ANDREWS. I am sure Mr. Lazarek's folks back home know that you and your colleague, Senator Weicker, have made a pretty powerful presentation. Mr. Weicker is on this committee. We are more than happy to go along with the suggestion of our colleague if we possibly can.

It is good to have you before us.

[The statement follows:]

STATEMENT OF SENATOR DODD

Mr. Chairman, Members of the Subcommittee, I appreciate the opportunity to appear before you today to outline the needs of my state of Connecticut as affected by this Transportation Appropriations bill.

Joining me today is Mr. William Lazarek, Deputy Commissioner for Planning and Research with the Connecticut Department of Transportation. In the interest of time, I will endorse Mr. Lazarek's statement to this Subcommittee and restrict my remarks to one issue -- that of interstate trade-in appropriations.

I am sure the Chairman will recall that he and I had numerous communications last year on the subject of interstate trade-in funds for the Hartford area. I fully appreciate the efforts by the Senator from North Dakota to obtain equitable treatment for the state of Connecticut in the Fiscal Year 1982 Transportation Appropriations Act. His sensitivity to Hartford's special status under the interstate trade-in program was demonstrated in his floor exchange with the senior Senator from Connecticut on November 3, 1981.

In addition, the conferees supported the Chairman's commitment to the original "contract authority" cities in the program. The conference report specifically recognized Hartford and Portland, Oregon, as two of the five contract authority cities, and reaffirmed the Congress' commitment to fully meeting the funding obligations of those cities.

As we prepare to consider the fiscal year 1983 appropriations for the Interstate Trade-in Program, Hartford lags far behind the other five original participants in the trade-in program in receiving funds to meet that commitment.

On September 30, 1981, Hartford area trade-ins had a combined value of $547 million. Yet, Hartford has either received or been pledged appropriations of only $45 million to carry out substitute highway projects. The Hartford area's current needs for projects in the trade-in program are $66,529,000. The federal share of this is $56,554,000. If Hartford receives this amount in Fiscal Year 1983, it still will have been obligated, in total, less than 20 percent of its trade-in funds. By contrast, the other four contract authority cities have received, as of the end of the current fiscal year, 102 percent, 88 percent, 83 percent and 51 percent respectively of their total funds available. I believe the inequity is self-evident.

Finally, Mr. Chairman, in the greater Hartford area, the state and local governments have altered numerous development plans as a result of the Interstate Trade-in Program. Continued delay in meeting the federal obligation to the Hartford area will seriously jeopardize many of these plans and will continue to cost Hartford area communities millions of dollars annually in lost tax revenues.

It is time to build Connecticut's "highway to nowhere", as the proposed Central Connecticut Expressway has come to be known. I urge this Subcommittee to provide the funds to assure the people of Connecticut that this highway will go somewhere. The State of Connecticut is ready to do its part.

CONNECTICUT DEPARTMENT OF TRANSPORTATION

STATEMENT OF WILLIAM A. LAZAREK, DEPUTY COMMISSIONER, BUREAU OF PLANNING AND RESEARCH

Mr. LAZAREK. Just to go a little deeper into what Senator Dodd has brought up on the interstate trade-in, Connecticut is not alone in this. There are a number of other States that are in the same situation.

As part of my testimony, I have submitted a position paper with a consolidation of recommendations that have been made by the States. We are in agreement. It is not just Connecticut alone, Mr. Chairman—and that is a part of my testimony—as Senator Dodd has said, even though Connecticut has traded in $540 million worth of projects, this is 5.5 percent of the nationwide total. In the last 2 years—I think primarily because of some of the earmarking that has taken place—Connecticut has received only one percent in each of the last 2 years.

We are in favor of a formula, Mr. Chairman, and if there is any way this can be done we would appreciate it. I think the $150 million that is being proposed for highway projects in the administration's bill is vastly insufficient to fund not only Connecticut's projects but also the projects around the country.

I would like to briefly mention a few other items, Mr. Chairman.

Another concern we have, with so much interstate highway work to be completed in Connecticut, is the fact that the $4 billion a year right now from fiscal years 1983 through 1990 will only provide $32 billion to complete the system. The system that was reduced last year by the passage of the 1981 Highway Act still indicates it will take $39 billion in 1979 dollars to get it completed. For next year through 1990, $32 billion is not enough to complete the system as defined by the Highway Act of last year.

Just one last point, Mr. Chairman, is the concern of Connecticut and other States in the Northeast as well on the proposal to eliminate operating subsidies that have been going through Congress.

Connecticut transit systems are carrying 65 million passengers a year. The passengers that we are carrying on the New Haven line alone from New Haven down to Grand Central Terminal in New York City carries more passengers than the entire Amtrak system. About one-third of the subsidies that we support these systems with comes from the Federal Government.

I think it would be a disaster for the economy of not only the cities in Connecticut but also in New York, since 23 million passengers a year go from Connecticut down into New York City. The economic effects of that will be devastating.

Senator ANDREWS. You make a very powerful case. I assure you and my good friend and colleague, Senator Dodd, that I have long felt that investing those funds now, instead of holding on and postponing, gives us far more highway miles than we are going to get 2, 3, 4, or 5 years down the trail.

It is one of the challenges of this subcommittee and the other committees of Congress, how can we do these things? They are really investments in the future of the country, while still staying within the accommodations we have to reach in order to get these interest rates down. It is not easy; it is not simple. Your problem is shared by a number of other states. Their spokesmen are eloquent, right along with the spokesmen that you have.

Let me assure you, Mr. Lazarek, we will give every possible consideration we can to these problems.

Senator DODD. I might take advantage of being here, Mr. Chairman, to mention that I have a bill that I have introduced that does not cost anyone a nickel at this point but it is to inventory infrastructures in the country. Highway transportation systems are one. We really don't have a good analysis of how bad some of our infrastructure systems are.

The entire sewer system of Albuquerque needs to be replaced. It is not just the Northeast or the Northeast tier States; it is also Houston, with its unique problems of rapid growth, the planning and trying to deal with these things ahead of time; the costs don't go away.

Senator ANDREWS. You ought to try to run a transportation system in the winter in North Dakota.

Senator DODD. We have some highways in Connecticut that go nowhere; they are sitting there; they are literally monuments to some bizzare architect; they just end.

Senator ANDREWS. We had a lost bridge out in the Badlands that sat out there for 12 years during the thirties before they finally got some roadways connecting each end of the bridge. Welcome to the club.

Senator DODD. We have one in downtown New Britain.

Senator ANDREWS. Thank you very much.

Mr. Lazarek, your statement will appear in the record at this point.

[The statement follows:]

Statement of William A. Lazarek

I appreciate this opportunity to appear before the Transportation Appropriations Subcommittee to discuss highway and transit proposals now before Congress. This afternoon I would like to discuss briefly with you interstate completion, the interstate 4R program, the interstate transfer program, bridges, and mass transit.

In addition to presenting my views as a representative of the Connecticut Department of Transportation, I am also representing the Coalition of Northeast Governors (CONEG) of which Connecticut's Governor William O'Neill is the lead Governor for transportation. I have attached to my testimony a copy of a resolution which was endorsed by the Northeast's Govorners in February.

With the passage of the 1981 Federal-Aid Highway Act last December, Congress reduced the cost-to-complete of the interstate system from $54 billion to $39 billion. It is worth noting that these estimates were based on 1979 prices as included in the 1981 interstate cost estimate. The administration is now seeking about $4 billion per year through 1990 to complete the interstate system by the congressional deadlines. Simple arithematic indicates that this will only provide $32 billion--not nearly enough to complete the system even in 1979 dollars. Obviously, this is a concern to a State like Connecticut which still has over $2 billion of interstate projects left to construct.

In reducing the cost to complete by $15 billion, Congress added a fourth R to the interstate 4R program with a commitment to repair the existing interstate system in which the Nation has a trillion dollar capital investment.

The estimated reconstruction costs--those costs that were added as the fourth R--have been documented every 2 years by each State in the interstate cost estimate. We are encouraged by the proposals to increase the interstate 4R apportionments from $800 million to $2 billion per year. However, this increase should be made in fiscal year 1983 not fiscal year 1984 as proposed. We have already been forced to delay reconstruction projects in the current fiscal year because of the change in the law. This should not continue through fiscal year 1983.

Turning to the interstate transfer program, Connecticut and many other States are extremely disappointed in the failure of the Federal Government to honor its commitment to provide the funds from the withdrawn interstate segments for substitute highway and transit projects.

To date, Connecticut has "traded-in" $540 million worth of interstate projects--about 5½ percent of the nationwide trade-ins of nearly $10 billion. Yet, in 1981, we received only $9.3 million of a nationwide apportionment of $800 million--about 1 percent--and in 1982 we received only $10.3 million out of $826 million--again only a little more than 1 percent. To make it worse, Connecticut was one of the original five areas which were granted contract authority before the law was changed. This supposedly was a guarantee of $189 million.

For fiscal year 1983, the administration proposes only $150 million for substitute highway projects. This, Mr. Chairman, is an insult to the States which were encouraged to withdraw controversial interstate sections with the promise that funds would be available for substitute projects. In addition, the earmarking of funds which has been done for the past 2 years make it impossible to plan projects in a rational manner. A fair formula distribution would be a vast improvement.

Many other States are in the same situation as Connecticut and have been receiving far less than a fair share of national appropriations. Because of these concerns, a meeting was held during the past month to try to reach agreement among the interstate transfer State on the various

program issues. I have attached to the copies of my testimony, a summary of the issues and the recommendations.

Fund substitute highway projects from the highway trust fund and substitute transit projects from the general fund.

Provide annual apportionments of $900 million for substitute highway projects and $600 million for substitute transit projects to meet the current backlog.

Have 75 percent of the annually appropriated funds allocated to States based on each State's share of the unobligated balance and 25 percent distributed at Federal discretion.

I ask that you seriously consider these recommendations in any new legislation to be passed in Congress this year.

The bridge program is not sufficient to handle all of the critical bridge needs in the Nation and in Connecticut. Two of the most critical bridges we have in Connecticut--the Niantic River Bridge and the Commodore Hull Bridge--have failed to be recognized in the past as candidates for the discretionary bridge program. The Niantic River Bridge is a moveable bridge along Connecticut's shoreline which was built in 1917. It is in a critical state of disrepair and must be opened and closed over 5,000 times a year to allow navigation of the Niantic River.

The Commodore Hull Bridge which carries the Route 8 Expressway over the Naugatuck River is also in critical condition which will require about $15 million to correct.

I ask for your consideration in placing these two bridges as candidate projects on the discretionary bridge list.

Finally, for transit, a major concern is the administration's proposal to completely eliminate all Federal operating assistance. In Connecticut, one-third of the $50 million annual subsidies needed to keep our rail and bus systems in operation now comes from the Federal Government. These systems carry 65 million passengers per year and are essential not only to the economies of the cities in Connecticut but also to New York City which is the destination of most of the 23 million passengers using the new Ranch Hall commuter line. The proposed elimination of operating assistance will lead either to severe cutbacks of service or the need to raise fares to the extent where many people will be unable to afford to use the transit systems.

Further, it does not make a great deal of sense to be using Federal funds for purchase of capital equipment which we would not be able to afford to run.

A block grant approach which would allow us the flexibility to spend the money on either capital or operating expenses would certainly be preferable to a complete elimination of operating subsidies.

Thank you for this opportunity.

NATIONAL ASSOCIATION OF AIR TRAFFIC SPECIALISTS

STATEMENT OF LAWRENCE C. CUSHING, PRESIDENT

ACCOMPANIED BY EDWARD L. HUIE, CONGRESSIONAL LIAISON

Senator ANDREWS. Our next group is the National Association of Air Traffic Specialists, represented by Mr. Lawrence Cushing.

Welcome to the subcommittee, Mr. Cushing. You may be sure your statement will appear in the record.

Mr. CUSHING. Thank you, Mr. Chairman.

I will excerpt from the statement, rather than read it all.

I would like to mention that I am very pleased to be here once again and introduce my colleague, Mr. Huie.

In that statement we address six major areas of concern which are listed and which I won't bother to read.

We are particularly interested in the operation of the air traffic control system, particularly the flight service system. The 1982 estimate for 4,500 positions for flight service, frankly, we can't understand. The original 1982 budget request was for 4,660 positions. The House recommended that number but the Senate recommended 4,768 positions.

It appears that the FAA failed to fill the authorized number of positions and took action to reduce them. They are now asking for the same number in 1983. Frankly, it is a level of staffing that is inadequate for the interest of aviation safety.

We also note that before the Congress makes any determination on the budget or on staffing, the FAA is already taking the action that is required to reduce staffing to 4,500 and even below that. They have stopped some of the academy classes at Oklahoma City which is the pipeline through which we get new hires. If the pipeline dries up you have months of delay before you can get more people into the system.

If you look on page 3 of my statement, during the past several years the Congress has been instrumental in maintaining at least a minimum level of staffing for flight service which we felt was necessary, with which Congress apparently agreed.

The workload continues to increase. The technology that is available and presently in place does not provide adequate compensation, if you will, for the shortage in staffing.

We have determined that the automated flight service system, the new equipment that is beginning to come on line, provides us with a capability of delivering a much superior product; but in the delivery of that product, because it is so much more comprehensive, the delivery time has increased, so in this particular instance modernization or automation has increased actually the time of delivery of a product which should relate to additional staffing.

I would like to address the subject of station closings and part-timings, and I think this is the appropriate committee because you folks know more about part-timing flight service stations than anybody else in the Government.

We understand that over the past 6 or 7 months, 56 stations have been part-timed directly as a result of inadequate staffing. In other

words, they don't have a person to fill the shift; they don't have relief or backup; the station is closed. The situation became so widespread and confused that the FAA imposed requirements for a daily report to headquarters from each station as to whether or not it was closed or open.

This was very good for the FAA headquarters but caused massive problems for one station to know which other ones were open and caused even greater problems for the pilots who tried to use the system.

We are very much distressed with the FAA's program as it relates to the automated station program. As you know, we have supported this program wholeheartedly. Although it is an odd position for a union to take, endorsing a program that ultimately relates to fewer people in the system, we felt that our position was necessary because of the restrictions and because of the complexity of the system, and we are very much distressed that the FAA now is bypassing the safety factors which they agreed with us they would keep in the system.

The consoldiation sequence of five different items they have now totally bypassed. They are planning to close and to part-time, and they are planning to destroy the system prior to the time that the automated system is in place.

I should like to mention also one more item, and that is that there is $30 million plus in the budget for station closings, $30.1 million for consolidation. We believe this is a very soft item, or at least part of it, that could very easily be deferred.

I think I will end my statement, Mr. Chairman. I will be pleased to answer any questions.

Senator ANDREWS. Thank you very much for a very excellent statement. The thrust that I get is that what you need are additonal trained individuals working in the system to relieve some of the stress on it.

Mr. CUSHING. That is right.

Senator ANDREWS. I appreciate your coming today. You have made an excellent presentation. Your air traffic specialists should be very proud of you.

Mr. CUSHING. Thank you very much.

[The statement follows:]

NATIONAL ASSOCIATION OF AIR TRAFFIC SPECIALISTS

STATEMENT OF LAWRENCE C. CUSHING
PRESIDENT

Mr. Chairman and distinguished members of this Subcommittee, I am pleased that once again you have provided me with the opportunity to appear before you and to express my thoughts and opinions on the DOT/FAA FY 1983 budget requests. I am accompanied by Mr. Edward L. Huie, our Congressional Liaison.

The Flight Service System is an integral part of the Air Traffic Control System and flight service missions are set forth on page 52 of the 1983 Budget Justifications. There are about 317 flight service stations throughout the United States. The personnel who staff the Air Traffic Control System are called:

Air Traffic Control Specialist (Station)
Air Traffic Control Specialist (Terminal)
Air Traffic Control Specialist (Center)

This statement will address six major areas of concern as follows:

1. General;
2. Operation of Traffic Control System - Flight Service Stations (page 52 - 1983 Budget Justifications)
3. Reductions in hours of service of Flight Service Stations;
4. Closures of Flight Service Stations;
5. Modernization of the Flight Service System;
6. Employer/Employee relationships.

1. GENERAL

Mr. Chairman, we have noted with particular interest the opening statement of Administrator Helms, in an appearance before this Committee, in which he praised the performance of those FAA employees who continued to work after August 3, 1981. He used such superlatives as "absolutely outstanding", "no government agency, faced with such a challenge, that has ever responded better", "tremendous performance", "I am very proud of them".

He directly referenced several communities of personnel but it was especially noted that he included flight service station controllers by name since that is the group represented by this Association.

2. OPERATION OF TRAFFIC CONTROL SYSTEM - FLIGHT SERVICE STATIONS (page 52 - 1983 Budget Justifications)

The 1982 estimate of 4,500 positions for flight service is not understood. In 1982 the budget request was for 4,660 positions and the House recommended this number. The Senate, on the other hand, recommended 4,768 positions. It appears that the FAA failed to fill the authorized number of positions and took action to reduce them to 4,500 in 1982 and now are seeking the same number for 1983.

It is also interesting to note that, long before any determination is made on the budget requests now before you, the FAA has cancelled the April 1982 FSS class at the Academy at Oklahoma City and that the May 1982 class has approximately one-half the usual number of thirty-six students. It seems apparent that the FAA intends to proceed on course with further staffing reductions for FSS regardless of any determinations made by the Congress.

During the last four years the Congress has increased the number of authorized positions for flight service over the budget request by 176 (10 in 1979, 25 in 1980, 33 in 1981 and 108 in 1982). The rationale for these increases (Senate Report No. 96-932) is straightforward: "During the past 10 years the workload of FSS personnel has increased over 100 percent, while staffing has risen only 10 percent." In the 1983 Budget Justifications (page 45) the FAA projects activity growth trends for flight services in 1982/83 to be +4.9 percent.

In previous testimony the FAA admits that the Flight Service System does not meet user demands with the number of positions authorized. How then in 1983 can any level of safety be maintained with a projected growth of +4.9 percent and with a drastic reduction in authorized positions imposed?

Modernization or automation cannot be the answer since the

limited modernization now in place has demonstrated that FSS ability to provide a superior product equates directly to increased delivery time - a fact that should mandate more, not fewer, positions if an equal level of service is to be provided and if an equal level of aviation safety is to be maintained.

3. REDUCTIONS IN HOURS OF SERVICE OF FLIGHT SERVICE STATIONS

Mr. Chairman, this Committee knows more about the temporary reductions in service at flight service stations than anyone in the Congress and you know that these actions by the FAA have been widespread this fiscal year. We understand that there have already been 56 stations affected.

It was so widespread and confused that the FAA imposed a requirement for a daily report to Headquarters from each station as to whether the station was closed or open. This was excellent information for the FAA Headquarters but caused a problem for any one station to know the status of all other stations. The same problem and to a greater degree was imposed upon the general aviation user.

We are told that practically all of these actions were taken by the FAA because of flight service station personnel shortages.

If general aviation safety is the reason for the Flight Service System, then it must be sufficiently manned with qualified personnel to provide that safety. If saving money is paramount, then the entire system should be eliminated.

4. CLOSURE OF FLIGHT SERVICE STATIONS - FLIGHT SERVICE FACILITIES (page 230 - 1983 Budget Justifications)

In 1982 the restrictive statutory language in the Appropriations Bill which prohibited the use of appropriated funds to close in excess of 5 flight service stations was removed.

The Flight Service Station Modernization program calls for consolidation of 16 stations in 1983. We have supported this plan, as requested by the Federal Aviation Administration, since its beginning even though continuation of the present system would

create an additional 6,000 positions by 1990 (as estimated by the FAA).

Now for 1983 the FAA proposes to permanently close or part-time 99 flight service stations. FAA's rationale for this action: "The accelerated program is necessitated by the staffing and budget reductions which were made in the Air Traffic Activity, Operations appropriation in Fiscal Year 1982." This seems to imply that the Congress made the cuts, whereas the fact of the matter is that the reductions were self-imposed.

Moreover, the consolidation sequence of the Master Plan, i.e.

1. limited automation at existing FSS;
2. establish automated facility;
3. demonstrate quality of service;
4. develop local consolidation plan;
5. consolidate;

has apparently been cast aside. The purpose of this sequence was to insure that the quality of service to the user was as good or better than that previously provided. To proceed in any other direction causes future safety of general aviation users to fall in the area of conjecture rather than in the area of assurance; FAA's statements on this subject notwithstanding.

We believe that the $30,100,000 requested for this consolidation is a soft item in the budget and that the portion relative to accelerated consolidation could very well be deferred to future years. At the same time general aviation safety could be maintained at current levels.

5. MODERNIZATION OF THE FLIGHT SERVICE SYSTEM (page 230 - 1983 Budget Justifications)

As mentioned previously, we strongly support the modernization of the Flight Service System, even though a continuation of the present system would require an additional 6,000 positions by 1990.

We believe that the safety of the user is paramount and

that enhanced safety can only be achieved by technical improvement and personnel training.

We note that the FAA has stated that there would be no new National Airspace System unless sought-after revenues were realized. It is also noted that the new Flight Service System has been ongoing for several years and has been significantly funded each year by the Congress - long before the new National Airspace System was announced.

We are pleased that the particular item in the budget request does not relate to the National Airspace System since funds are required to continue and complete this viable flight service program without regard to the fate of the overall planned National Airspace System.

6. EMPLOYER/EMPLOYEE RELATIONS

In his statement the FAA Administrator, in reference to the Jones report, stated: "These relationships have been deteriorating over a period of years, affecting employee morale and effectiveness. This situation existed before the strike and can be attributed in some measure to the divisiveness brought about by an adversarial relationship generated by a militant, aggressive union." While not identified, I infer that the Administrator is talking about the decertified Professional Air Traffic Controllers Organization (PATCO).

While not qualified to speak about the relationship between the FAA and PATCO, I do know about the relationship between the FAA and NAATS and I do hope that the Committee will not infer that the Administrator's statement is true as it relates to NAATS. For the record let me state that NAATS is not and has not been divisive. We abhor the extremely adversarial relationship forced upon us by the FAA. Within the framework of the law we have been and will continue to be an aggressive and progressive union dedicated to the cause of aviation safety.

There are some very valid reasons as to why morale is very low among our members. These have been brought to the Committee's

attention in past years and I will not discuss them now in detail but will only enumerate these reasons:

1. No labor contract since 1978.

2. Denial of early retirement and second career to station controllers while the Administration fully supported these benefits for PATCO members.

3. Unjust discrimination in pay grades. PATCO members promoted in 1978 because of a widespread slowdown threat.

4. NAATS and flight service ignored in the recent task force study convened by the Secretary and the Administrator (sometimes called the Jones report). NAATS views on the Jones report are included as attachments (1) and (2) of this statement. In fact, the task force report exacerbates acute morale problems that have long been and continue to be a part of FAA.

5. The much discussed and unnecessary furlough program.

Thank you, Mr. Chairman.

Attachment (1)

NATIONAL ASSOCIATION OF AIR TRAFFIC SPECIALISTS

SUITE 415 WHEATON PLAZA NORTH
WHEATON, MARYLAND 20902

April 5, 1982

Lawrence M. Jones
Chairman of the Task Force
and Contractor
250 North St.Francis
Wichita, Kansas 67202

Dear Mr. Jones:

Enclosed for your perusal and information are copies of correspondence between (DOT) Secretary Lewis and me relative to the rebuilding of the air traffic system and the task force established to study, to evaluate and to propose any corrective action needed.

I am in receipt of and have had the opportunity to study the task force report, Volume I, entitled "Management and Employee Relationships within the Federal Aviation Administration". The cover page indicates that the report was prepared by you, as Chairman and Contractor, under Contract No. DTFA01-82-C-30006, non-competitive bid, at a cost of $593,389.00.

While initially in general agreement with many of the conclusions reached and with some of the proposed remedies, I am chagrined and perplexed by the task force failure to recognize, to identify or to consider the needs and problems of flight service station controllers or the union which represents them, i.e. the National Association of Air Traffic Specialists. While such blatantly discriminatory treatment of NAATS/FSS may be the norm in DOT/FAA, there can be no argument that it is misplaced and completely unacceptable in what purports to be an objective study of the air traffic control system.

In its report the task force appears to have taken care to include statistics on and to mention by name the various groups or specialties which comprise the air traffic control system. The union which represented center/terminal controllers (PATCO) is mentioned by name as is the union which represents electronic technicians (PASS). Not only is the union which represents station controllers (NAATS) not mentioned, but (page 5, paragraph 1) a clear indication is given that PATCO was the only controller union in existence.

The omissions in Volume I of the task force report and failure to recognize or to address the needs and problems of approximately twenty percent of the total work force completely destroys any claim of objectivity and renders the entire study inaccurate and useless.

I would appreciate having any explanation you may be able to supply as to the reasons for the gross discrimination noted. A response at your earliest convenience will be appreciated.

Sincerely,

Lawrence C. Cushing
President

NATIONAL ASSOCIATION OF AIR TRAFFIC SPECIALISTS

SUITE 415 WHEATON PLAZA NORTH
WHEATON, MARYLAND 20902

September 22, 1981

The Honorable Drew Lewis
Secretary of Transportation
Washington, D.C. 20590

Dear Mr. Secretary:

This letter is in reference to your major policy decision to rebuild the Air Traffic Control System, to congratulate you for that decision, and to invite your attention to certain facts that should, in my view, be considered. The path you have chosen is certainly not the easy way, but it is the right way and is clearly in accordance with the law and your oath of office.

As you know, the Director of the Office of Personnel Management has labeled personnel in the Air Traffic Service as

Air Traffic Control Specialists (Station)
Air Traffic Control Specialists (Tower)
Air Traffic Control Specialists (Center)

and he has further designated them as the GS-2152 series.

This union has long held to be axiomatic the view that personnel in the same personnel category must be treated in the same manner if high morale, good order and discipline are to be achieved. Unfortunately, in the past, such has not been the case in the Air Traffic Control System. A caste system has been established which has damaged morale and capability and which appears to be a root cause of current trauma. The rebuilding program is a unique opportunity for redress.

To be sure that you are aware of the specific areas of discrimination against air traffic control specialists (station) and in some cases other Federal employees as well, I will list the major ones in this letter along with the appropriate references for easy staffing:

(1) Early retirement (P.L. 92-297) accorded to centers/towers but not to stations.

(2) Second career training (P.L. 92-297) accorded to centers/towers but not to stations. Currently not funded by the Congress.

(3) Overtime paid under the provisions of the Fair Labor Standards Act is not subject to the limitations otherwise imposed under 5 USC 5547. While this applies to most General Schedule employees, the real benefit comes to those journeymen at Grade 14 and above. Accordingly, you have about 6,600 Grade 14 journeymen at centers and towers who have the opportunity to be paid in excess of the pay cap and in many cases are paid more than Cabinet-level officials earn.

(4) In the latest reclassification review by the Office of Personnel Management, center and tower personnel received a pay grade increase because of the possibility of widespread work slowdown (Appendix I, Page 6, Comptroller General of the U.S. Report FPCD-79-52 of July 25, 1979). It is interesting to note that at that time the the Secretary of Transportation strongly recommended a pay grade increase for air traffic control specialists (station) but his will did not prevail.

(5) While Workers Compensation statutes apply to all Federal employees, it appears more accessible to air traffic control specialists (center/tower) when pursuing lifetime, tax free income.

(6) The details of the "forty million dollar package" recently offered to center and tower personnel are not known except that air traffic control specialists (station) were not included.

To date, the DoT/FAA's program of rebuilding the Air Traffic System has completely ignored the needs of the station air traffic control specialists and has concentrated instead on providing additional benefits that are clearly labeled "center/terminal only" or "FSS is not included". The accelerated promotion program (for center/terminal air traffic control specialists only) is a case in point. It makes prima donnas of some and second-class citizens of others. Is that the program you intend to use in rebuilding the system?

I am hopeful that you will consider this input in your rebuilding program. Please be assured that this Association stands ready to lend every assistance possible in providing a viable Air Traffic System completely devoid of all past discriminations.

Very respectfully,

Lawrence C. Cushing

Lawrence C. Cushing
President

LC/cls

THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

OCT 19 1981

Mr. Lawrence C. Cushing
President, National Association
of Air Traffic Specialists
Wheaton Plaza North
Wheaton, Maryland 20902

Dear Mr. Cushing:

Thank you for your recent letter expressing the views of the National Association of Air Traffic Specialists on the rebuilding of the air traffic system. The views expressed in your letter will certainly be considered during the rebuilding process.

Sincerely,

Drew Lewis

NATIONAL ASSOCIATION OF AIR TRAFFIC SPECIALISTS

SUITE 415 WHEATON PLAZA NORTH
WHEATON, MARYLAND 20902

November 5, 1981

The Honorable Drew Lewis
Secretary of Transportation
Washington, D.C. 20590

Dear Mr. Secretary:

This letter is in reference to the Department of Transportation's establishment of a task force (FR Docket 81-31290) to study and to evaluate the employment environment that has and does exist in the Federal Aviation Administration's terminal and enroute system. The failure to include flight service stations in the survey is apparently an oversight and the matter is called to your attention so that correction can be made.

We have commended you on your decision to completely rebuild the air traffic system on the assumption that the rebuilding process would encompass all segments of the system. We feel that the flight

service system must be included in the rebuilding program and in any studies and testing pursuant to that rebuilding. As the only segment of the control system now represented by organized labor, the need for flight service station inclusion becomes doubly necessary.

Should you disagree with our position on this matter, I would appreciate having your advice and opinion as to the reasons therefore.

Sincerely,

Lawrence C. Cushing

Lawrence C. Cushing
President

LC/cls

VOLUME I

MANAGEMENT AND EMPLOYEE RELATIONSHIPS WITHIN THE FEDERAL AVIATION ADMINISTRATION

Lawrence M. Jones
Chairman of the Task Force
And Contractor
250 North St. Francis
Wichita, Kansas 67202

Contract No. DTFA01-82-C-30006
Contract Amount: $593,389.00
Non-Competitive
Technical Officer:
Theron Gray, ADA-2
FAA, Room 110

NATIONAL ASSOCIATION OF AIR TRAFFIC SPECIALISTS

SUITE 415 WHEATON PLAZA NORTH
WHEATON, MARYLAND 20902

April 5, 1982

Edward V. Curran, ALR-1
Director of Labor Relations
Federal Aviation Administration
800 Independence Ave., S.W.
Washington, D.C. 20591

Dear Mr. Curran:

This is in response to your March 31 letter requesting comments on the "Jones" report.

The announcement made by DOT/FAA when the task force was first established indicated that the study area would be confined to the control sector of the air traffic system. My concern over such a restricted study was expressed in my September 22, 1981 letter to Secretary Lewis. His response of October 19 indicated intent to study all segments of the air traffic system. Copies of that correspondence are attached for your information.

In commenting on the results of the study, I must compliment the task force on the thoroughness with which the issues were addressed and the obviously successful attempt to provide a complete and unbiased analysis of the pros and cons of the air traffic control operation. Their report identifies the precise same problems that NAATS has been calling attention to for years, i.e. mismanagement at all levels, lack of concern for employer and employee needs, and failure to understand the needs and problems of the air traffic control system or how to fill the needs or resolve the problems. The task force has provided clear identification of most of the problem areas and in most instances has provided adequate suggestions for corrective action.

I remain unconvinced that DOT/FAA has either the ability or intent to utilize the information and suggestions in a constructive manner. We are all aware that previous reports, including the Corson Committee report and the FAA's own Quality of Work Life program, identified the same problems as existing and worsening over an extended period of time. And yet, even when the problems were coming to a head prior to August 3, 1981, the only action envisioned or planned by DOT/FAA was punitive rather than corrective. Good-bye 11,400 controllers; hello grief and economic hardship for uncounted thousands in the aviation industry. The prevailing opinion is that present top level FAA management, with the possible exception of the present Administrator, is incapable of change. Assuming no change in top level management personnel, the errors of the past will not be corrected but they will be repeated.

Two areas of the task force report indicate, one, a lack of understanding of employee needs in the area of labor-management relations and, two, either a failure to recognize their own discrimination against the flight service system or a belief that such discrimination is permissable in an otherwise objective study.

In their treatise on Management and Employee Relationships within the FAA (page 124), the task force makes no mention of the role a controllers union should play in establishing employee rights and in providing an interface between employees and management in guaranteeing no abrogation of those rights.

In their apparently deliberate intent to identify by name each component of the air traffic control system, the task force demonstrated an under-

standing of the morale factor as it relates to the need for recognition through identification. How they could completely fail to mention the flight service system or station controllers, in passing, by reference or even in a derogatory sense has already convinced many NAATS bargaining unit members that DOT/FAA had more to do with the study than the record shows. Clarification on this matter will be requested from the Chairman of the task force. If you have any understanding of why FSS was so completely ignored, I would appreciate having that information.

As previously stated, not once but many times, the National Association of Air Traffic Specialists is ready and willing to work closely with the FAA to provide the correction so desparately needed. We are also able but our ability is hampered by the FAA's reluctance in this area.

Sincerely,

Lawrence C. Cushing

Lawrence C. Cushing
President

LC/cls

Attachments (2) - shown in Attachment (1), i.e. Sept. 22, 1981 Cushing to Lewis letter and Oct. 19, 1981 Lewis to Cushing letter.

PROFESSIONAL AIRWAYS SYSTEMS SPECIALISTS

STATEMENT OF HOWARD E. JOHANNSSEN, PRESIDENT

Senator ANDREWS. Our next witness is Mr. Howard E. Johannssen, president of the Professional Airways Systems Specialists.

Mr. JOHANNSSEN. Mr. Chairman and members of the subcommittee, PASS would like to thank you for extending us the courtesy of sharing our view concerning budget justifications of FAA's fiscal year 1983 appropriations request. As the technical work force of the FAA, we provide the system for use by both the controllers and pilots. We are the backbone of the National Airspace System.

The Administrator has come before you with accolades for our profession and of the outstanding job that we do. He has stipulated that our efforts, along with other FAA employees, enabled the FAA to recover from the single most significant event to occur in FAA history. To the members of our profession, he has, in turn, stated that they will be furloughed and reduced in their numbers.

Mr. Chairman, we in PASS appreciate your endeavors to correct this inequity. We realize that your motivation is one of maintaining the integrity and safety of the aviation system. We are thankful that you and the members of this subcommittee have not misdirected this important priority.

Possibly the most damaging misinformation presented to the employees was accomplished at the expense of Congress. It was perceived in the field by the documentation supplied by the FAA that the furloughs were necessitated by the actions of this Congress.

The first area we would like to call to this subcommittee's attention is the proposed reduction in staffing. The FAA has requested funding for

137 less personnel in the field maintenance area of the aviation system. While this number seems small, the harmful impact this reduction will have on aviation is very large.

There are not 10,052 personnel involved in the day-to-day maintenance of the air traffic control system, as the FAA would indicate. In reality, the number is probably less than 8,000. It is ridiculous to expect the existing work force to absorb an additional workload of 397 new facilities over and above the current 20,000-plus facilities now in existence. This is especially true in view of the FAA's overtime record of 194,665 hours for airways facilities.

Thirty percent of the systems specialists within the FAA will be eligible for a normal Civil Service retirement in the next 3 to 4 years. This Congress and the FAA must adequately plan for that attrition. A failure to do so could easily be catastrophic.

I would also like to point out that in view of this upcoming attrition the FAA has imposed a hiring freeze on systems specialists that had been in existence long before fiscal year 1982 even began.

An overlooked fact of failure to adequately plan for the future is its impact on the national defense. Many facilities that are maintained by systems specialists throughout this country are an integral part of the national defense system. These facilities or joint-use sites are used by the military and the FAA and are strategically located throughout this country.

PASS heartily endorses modernization of the equipment of the FAA. We feel that it is an outrage for the FAA to continue to utilize equipment dating back to the 1940 era. We question the premise that a modernization utilizing solid state equipment will create a more reliable system utilizing fewer personnel.

Mr. Helms failed to indicate that the microwave landing systems will have to be run concurrently with the existing instrument landing systems until the year 2000. This duplicity will increase workload rather than decrease the number of specialists required.

The FAA could be planning to widen the gap between the number of facilities to be maintained and the number of bodies to do the maintenance through the use of contract maintenance.

We feel it is the systems specialist who must ultimately determine the usability of a restored system.

To the best of our knowledge, the FAA still has no quantifiable maintenance and cost data. Because of this lack of information, PASS must seriously question how a dollar amount of $606,000 was arrived at to procure spare IBM 9020 parts. Is it possible their intent is to buy every spare part that IBM has left over for the 9020 system?

It could easily appear that the cost of the National Airspace System Plan is being tailored to the audience. In a presentation to an OTA conference held April 1 and 2 in Washington, D.C., the participants left with the idea from Mr. Helms that the total cost of the program would be somewhere in the neighborhood of $14 billion. This differs greatly with the cost of the National Airspace System Plan through 1987, being $7.5 billion, as indicated before you.

In regard to Mr. Helms' statement concerning the National Airspace review, PASS does not sit on any one of the 18 task groups referred to by Mr. Helms. Mr. Helms has stated that labor is represented on these groups and we are informing you that PASS, the largest union currently in the FAA, has not been invited to take part whatsoever.

The Administrator's statement highlighted the task force study of the morale problem within the agency. Our relationship since the release of the Jones report has become worse.

In view of the current morale problem, we do not see productivity increasing. There is great despair and concern on whether the work force will be furloughed or not, and now the Administrator is talking about a reduction in force in June or July.

We believe that some of FAA's budget request is excessive. We are convinced that better management decisions, especially in the purchase of new equipment and systems, can realize a viable savings to the taxpayer. We further believe that the FAA hierarchy can be streamlined and yet remain effective.

We must seriously question the expenditure of $1.5 million for new chairs for the controllers. We further question the expenditure of $15 million for the Oceanic Display and Prove System, ODAPS. Is the FAA seriously planning to expend $15 million to install systems in facilities that they also plan on closing by 1985?

In closing, we would request that this subcommittee does what the FAA apparently failed to accomplish: We would ask that this subcommittee properly establish the priorities of the FAA in your approval of their fiscal year 1983 budget.

The emphasis on safety must be increased.

We would ask that for fiscal year 1983 this Congress appropriate enough funds so that there will be no chance of furloughs next year.

I would again like to thank this subcommittee for your efforts in trying to alleviate the furlough problem we are still faced with. We only hope that should the FAA fail to take the appropriate action, this Congress will find some way to insure the safety of the flying public.

Senator ANDREWS. I cannot tell you how much we appreciate that statement. It was detailed and it gives us the information that we have to have when we look at this very serious problem of safety.

I also want to assure you that not only will the regular appropriation be susceptible to the changes you made, but also we plan to do some—shall we say—adjusting of the supplemental when it comes through. We think that we can get things handled a little earlier by doing it that way.

Thank you.

Mr. JOHANNSSEN. Thank you very much, Mr. Chairman.

[The statement follows:]

STATEMENT OF HOWARD E. JOHANNSSEN

PRESIDENT, PROFESSIONAL AIRWAYS SYSTEMS SPECIALISTS

Mr. Chairman and Members of the Subcommittee:

PASS would like to thank you for extending us the courtesy of sharing our views concerning the budget justifications of FAA's FY 1983 appropriations request.

We are appreciative of the Administrator's kind words in his opening statement before you concerning the important role and outstanding performance of the systems specialists during the FAA's strike recovery program. We differ with the Administrator in one major area. The systems specialists of the FAA do not play a supporting role in aviation. As the technical workforce of the FAA, we provide the system for use by both the controllers and pilots. It is this misconception of the Administrator that makes his words shallow.

There is an old adage that states, "Actions speak louder than words." This adage is very appropriate today. The Administrator has come before you with accolades for our profession and of the outstanding job that we do. He has stipulated that our efforts, along with other FAA employees, enabled the FAA to recover from the "single most significant event to occur in FAA history." To the members of our profession, he has, in turn, stated that they will be furloughed and reduced in their numbers because there is not sufficient money to pay their salaries.

We have been advised by your distinguished colleague, the Honorable William Ford, Chairman of the Post Office and Civil Service Committee, that you are receptive to allowing the FAA to rechannel funds as necessary to prevent the furloughing of systems specialists. Mr. Chairman, we, in PASS, appreciate your endeavors to correct this inequity. We realize that your motivation is one of maintaining the integrity and safety of the aviation system. We are thankful that you and the members of this

subcommittee have not misdirected this important priority. It is indeed unfortunate that we cannot share our feeling of respect for the Administrator on this issue.

To our knowledge, during the Administrator's testimony and appraisal of 1981 systems performance and 1982 budget, he did not even raise the fact that tens of thousands of FAA employees are still faced with active proposals to furlough them before the year's end. As we testify before you today, there has still been no final action or decision by the Agency on the furloughs. Administrator Helms has not even extended the courtesy to employees of notifying them in writing that their original proposed notice to furlough for a period of 12 days is inaccurate. The last official information we received from the FAA was that the furloughs were reduced to a maximum of eight days and, hopefully, less. This callous disregard by the head of the Agency for its employees is truly representative of the FAA heirarchy's feelings, much more so than the words that were spoken before this distinguished subcommittee.

Possibly the most damaging misinformation presented to the employees was accomplished at the expense of this Congress. It was perceived in the field by the documentation supplied by the FAA that the furloughs were necessitated by the actions of this Congress and not mismanagement by FAA. While the FAA did not directly state Congress was to blame, the implication was clear and the perception in the field undeniable. This perception could well have carried into November had not Congressman Ford set the record straight for our membership.

The first area we would like to call to this subcommittee's attention is the proposed reduction in staffing in the Airways Facilities Division. The FAA has requested funding for 137 less personnel in the field maintenance area of the aviation system. While this number seems small, the harmful impact this reduction will have on aviation is very large.

There are not 10,052 personnel involved in the day-to-day maintenance of the Air Traffic Control system, as the FAA would

indicate. The actual number of systems specialists is a great deal smaller. The 10,000 plus number either exists only on paper, or is also comprised of all the managerial and supportive staff-type positions needed in the field. Managerial and supportive staff-type positions do not spend a preponderance of their time in insuring that the aviation system works safely. In reality, the number is probably less than 8,000. It is ridiculous to expect the existing workforce to absorb an additional workload of 397 new facilities over and above the current 20,000 plus facilities that the FAA stipulates are in existence. This is especially true in view of the FAA's overtime record for Airways Facilities.

For the period of the first quarter of FY 1981, inclusive through the first quarter of FY 1982, the Airways Facilities Division used a total of 194,665 hours of overtime. The figures do not indicate how much overtime was precipitated by the strike, for during the fourth quarter of FY 1981 the overtime used (44,529 hours) was a mere 138 hours more than the first quarter of FY 1981. This is the second lowest quarter in the 15 month period. These overtime figures by themselves should more than amply justify the staffing levels authorized to remain status quo, if not increase.

We feel it is our professional responsibility to the flying public to request that this subcommittee authorize a minimum increase of 500 new positions for Airways Facilities field maintenance personnel. This would bring the total number of permanent positions for field maintenance to 10,522. We do not make this justification strictly upon the overtime utilized in our division of the FAA. This recommendation is being made predominantly for future planning and increased training requirements.

Thirty percent of the systems specialists within the FAA will be eligible for a normal Civil Service retirement in the next three to four years. This Congress and the FAA must adequately plan for that attrition. A failure to do so could easily be catastrophic. This minimal influx of positions that we are re-

questing is in an effort to remain within the President's economic goals. We are dramatically opposed to the FAA's request, for we feel they are placing economics and politics first and safety second.

Systems specialists are not found in outside industry, nor is there a magical system that can create them overnight. It takes three to four years of intensive classroom education and On-The-Job training for an individual to become a systems specialist once hired by the FAA.

I would also like to point out that in view of this upcoming attrition, the FAA has imposed a hiring freeze on systems specialists that has been in existence long before FY 1982 even began. To not adequately plan for a fully qualified complement of systems specialists in the future must be constituted by this organization and the flying public as a breach of the charter of the FAA under the Federal Aviation Act.

An overlooked fact of failure to adequately plan for the future is its impact on the national defense. Many facilities that are maintained by systems specialists throughout this country are an integral part of the national defense system. These facilities or joint use sites are used by the military and the FAA and are strategically located throughout this country. There is no guarantee on which facilities will be hardest hit by the normal attrition factor. Our membership records indicate that joint use facilities will be affected. Even if the safety of the flying public is not paramount in the plans of the FAA, preservation of this country's defense should be.

The FAA may attempt a reduction of systems specialists through the utilization of more solid state equipment. This subcommittee, and many others in the Congress, should realize that PASS heartily endorses modernization of the equipment of the FAA. We feel that it is an outrage for the FAA to continue to utilize equipment dating back to the 1940 era of the CAA. We question the premise that a simple modernization utilizing solid state

equipment will create a more reliable system utilizing fewer personnel. There is no hard fact to substantiate this conception.

In testimony submitted to the Subcommittee on Transportation, Aviation and Materials on April 28, 1982, by the National Association of Flight Standards Employees, their review on page 4 of three different flight inspection records indicated 30 possible hazardous conditions. Those 30 possible hazards existed in Instrument Landing Systems that were flight checked. Fifty-seven percent of these discrepencies were found on solid state equipment. In their words, "This comparability study clearly indicates the solid state system[s], while more compact and better engineered, are no more reliable than the vacuum tube systems. Therefore, Mr. Helms' projected flight hour reduction is not only FALLACIOUS, but DANGEROUS."

The installation of solid state equipment by itself does not necessarily negate the need for trained specialists. New systems require new training. Training requires time on at least one individual's part and, in some instances, many more. During this training period, the existing workload must still be met. In Mr. Helms' prepared statement addressing landing systems, he has failed to indicate that the Microwave Landing Systems will have to be run concurrently with the existing Instrument Landing Systems until the year 2000. This duplicity will increase workload rather than decrease the number of specialists required.

The FAA could be planning to widen the gap between the number of facilities to be maintained and the number of bodies to do the maintenance through the use of contract maintenance. We must strongly caution against this idea. The job of the systems specialist is much more than restoring failed equipment. The systems specialist is, in essence, an equipment manager. Our job is to effectively manage the system comprising the National Airspace System for the highest availability and reliability for use by pilots and controllers. When a system fails, it is the system specialist who must immediately repair the failure or determine

which back-up or alternate system should be utilized for minimal loss of services to the users.

More importantly, it is the systems specialist who must ultimately determine the useability of a restored system. They are required to fulfill a legal responsibility to certify equipment safe for use by pilots and controllers. In essence, every day we put our professional careers on the line for the flying public. Whenever there is an aircraft incident or accident, it appears that everyone from the government to the manufacturers of the smallest component of the aircraft is involved in a law suit. Very few businesses would be willing to accept the legal liabilities incurred from the contracting out of systems maintenance by the FAA. We would like to remind this subcommittee that when the 9020 IBM system was originally installed, it was maintained by IBM for a very short period. Because of the complexities involved, that maintenance responsibility, and the ultimate certification responsibility, was soon assumed by systems specialists.

In the Administrator's statements concerning computer replacement, we do agree in one area. The current computers will not last to the year 2000. We urged the Congress and the FAA to start a replacement program years ago. We are, however, not convinced about the bulldozer approach being taken by this Administrator. His plan lacks achievable commitment to a specific goal, be it capacity productivity or safety.

In a report numbered 80-5, dated October 1980, the investigation staff of the Committee on Appropriations, United States Senate, highlighted many problems with the FAA's en route Air Traffic Control system. We do not feel the problems they discovered have been properly addressed by the FAA in the Administrator's National Airspace System Plan. To the best of our knowledge, the FAA still has no quantifiable maintenance and cost data. It still does not know the mean time between the failure of 9020 components. It still does not know the cost of the en route system because the supply system is maintained manually. Finally, it still does not have a system for reporting aging problems.

Because of this lack of information, PASS must seriously question how a dollar amount of $606,000 was arrived at to procure spare IBM 9020 parts. If the FAA has no system that can adequately delineate which components are failing, how can they arrive at a dollar figure for the purchase of spare parts? Is it possible their intent is to buy every spare part that IBM has left over for the 9020 system? We would like to remind this subcommittee that it was PASS, in testimony before the Aviation Subcommittee on December 6, 1979, that brought the logistic support problem of the 9020 system to the attention of the Congress, and not the FAA.

Most recently, the General Accounting Office has reviewed the FAA's 20 year National Airspace System Plan. In a letter dated April 26, 1982 to Administrator Helms, I quote the distinguished Jack Brooks, Chairman of the Committee on Government Operations:

> "The GAO found that the modernization plan is seriously flawed and should not be implemented without further detailed planning. To do otherwise could be risking future air safety and undermine the most needed upgrade of our air traffic control system. In addition, GAO found that FAA's actions to procure new computers for its Aeronautical Center and regional offices were not properly planned, justified or managed and recommended that the procurements be cancelled.
>
> "I intend to urge Congress to go slow in approving the modernization plan until the deficiencies uncovered by GAO are correct. I strongly urge you to take the necessary and forceful action to remedy the concerns of the GAO so that this nation can have the most modern, reliable and safe air traffic system available."

While this is merely a nut shell view of an indepth report, we feel it clearly shows that this Administrator has not learned from the mistakes of his predecessors.

It could easily appear that the cost of the National Airspace System Plan is being tailored to the audience. In a presentation to an OTA conference held April 1 and 2 in Washington, D.C., the participants left with the idea from Mr. Helms that the total cost of the program would be somewhere in the neighborhood of $14 billion. This differs greatly with the cost of the National Airspace System Plan through 1987, being $7.5 billion, as indicated before you. We feel that a plan of this magnitude should have the same cost for the same number of years regardless of what group the proposal is presented to.

We also bring to your attention a discrepancy. In Mr. Helms' statement concerning the National Airspace review, PASS does not sit on any one of the 18 task groups referred to by Mr. Helms. Mr. Helms has stated to you that labor is represented on these groups and we are informing you that PASS, the largest union currently in the FAA, is not taking part whatsoever. It is impossible for the airspace environment to be accurately reviewed without the active participation of the employees who provide the airspace system.

In the Administrator's statement, he highlighted the task force study of the morale problem within the Agency. He further stated that a high priority is being given to the relationship between management and the employees. We again must differ with the Administrator in his words. Our relationship since the release of the Jones report has become worse.

PASS was certified as the exclusive bargaining agent for Airways Facilities division employees on December 31, 1981. We are the largest representational unit within the FAA. The Administrator has not honored requests from this organization to personally attend a meeting to discuss problems confronting employees in Airways Facilities. We realize that the Administrator is a busy man, but we also feel that for one meeting not to have taken place in over four months is not conducive to good labor-management relations.

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This organization will, within a matter of days, be going into contract negotiations with the FAA. We have been informed by the FAA that their negotiation team will consist of two deputy directors. Either these deputy directors will have very broad decision-making powers, or the FAA does not plan on entering into meaningful contract negotiations as required by law. It further stretches the imagination to a great degree that the expertise properly needed to negotiate a contract containing over 100 proposals rests with only two men who are based at the Washington headquarters and have been removed from the real working environment for a long time. Quite possibly the adversarial relationship that was generated within the FAA is being fostered by the FAA. One thing is definite. In four months time, PASS has done nothing to earn the title of a militant union.

We feel the Jones report, as the task force report study has become known, is extremely important. We only wish that we could see indications that would reinforce the Administrator's words, "We will take appropriate action and make changes where necessary to assure that divisiveness and alienation do not resurface." This organization is fully committed to working within the realm of the law to achieve a mutually acceptable contract. We are equally committed to representing our membership effectively. Most importantly, we are committed to maintaining the safety of the system.

The Administrator has talked about increased productivity. In view of the current morale of the FAA Airways Facilities workforce, we do not see that goal ever being achieved. There is great despair and concern on whether this workforce will be furloughed or not, and now the Administrator is already talking about a reduction in force in June or July.

To compound the problem, the National Airspace System Plan calls for the closing of literally hundreds of facilities throughout the country, adding further uncertainty to the professional and financial welfare of thousands of employees. These career

employees are not numbers on paper, they are people. These employees have feelings, plans and concerns. They are dedicated, loyal and hard working. Their efforts are being rewarded with threats of pay losses, job terminations and relocations by the FAA. This is not conducive to high morale or increased productivity.

In a positive vein, we believe that some areas of the FAA's budget request are excessive. We are convinced that better management decisions, especially in the purchase of new equipment and systems, can realize a viable savings to the tax payer. We further believe that the FAA hierarchy can be streamlined and yet remain effective.

We must seriously question the expenditure of $1.5 million for new chairs for the controllers. We further question the expenditure of $15 million for the Oceanic Display And Prove System (ODAPS). We have recently learned in a Congressional field hearing in California on April 14 that two facilities, Oakland ARTCC and New York ARTCC, are two of the first en route centers to be closed. Is the FAA seriously planning to expend $15 million to install systems in facilities that they also plan on closing by 1985.

In closing, we would request that this subcommittee do what the FAA apparently failed to accomplish. We would ask that this subcommittee properly establish the priorities of the FAA in your approval of their FY 1983 budget. The emphasis on unproven systems and pipe dreams must be diminished. The emphasis on safety must be increased. The employees of the FAA must have higher consideration placed upon them. These employees are not FAA bureaucrats shuffling papers, filing reports and going on television. These are hard working, dedicated, loyal employees who work behind the scenes to provide the aviation system upon which this country has become dependent.

We would ask that for FY 1983 this Congress appropriate enough funds so that there will be no chance of furloughs next year. We further request that this subcommittee authorize enough funds and

positions so that an already disheartened workforce will not be told there will be further reductions in force in 1983.

I would again like to thank this subcommittee for your efforts in trying to alleviate the furlough problem we are still faced with. We only hope that should the FAA fail to take the appropriate action, this Congress will find some way to insure the safety of the flying public.

AIRCRAFT OWNERS AND PILOTS ASSOCIATION

STATEMENT OF W. LAWRENCE GRAVES, VICE PRESIDENT

Senator ANDREWS. Our next witness is Mr. W. Lawrence Graves, Vice President, Aircraft Owners and Pilots Association.

Mr. GRAVES. I will make this short and sweet.

Senator ANDREWS. You can be sure your whole statement will appear in the record.

Mr. GRAVES. I am here on a pro forma basis pretty much. We have not finished our analysis of the FAA budget justification. We want to do it in a thorough fashion. We will be back to you within 2 weeks with a detailed statement.

There are three comments I would like to make though:

First, on the FAA's operations request, which has been partly our fault, each year we have been to the Appropriations Committee we have assumed an authorization would be down the pike in a couple of months, and that has not occurred. By default, the share of the trust fund going to FAA operations has grown gradually. That is not a good situation.

In fiscal year 1981 for the first time the operations money from the trust fund exceeded spending on airport development. In 1982 we expect there will be double the money going to operation and administrative cost. In the future it looks like it could get into the three-times range.

We don't need trust funds for administrative cost. When you do that you have a slush fund, not a trust fund. We think if there is going to be a trust fund it should be used for capital expenditures that are going to improve safety and capacity in aviation.

Second, on the ATC modernization program, which we generally support, we have included some rhetorical questions in our statement that we hope you can ask the FAA. You went down that line on Monday. We hope you will follow down that line, a cheaper and better way to do some of the things they are proposing.

Finally, on the flight service station issue, there are two problems: One is closing flight service stations without the modernized facilities on the line, and second the furloughs they propose are a morale shattering kind of thing that is really a slap in the face of people who have worked really hard for 6 months and then after giving their all, going the extra mile, the FAA says, "I am sorry; we are not going to need you anymore." That is not the way to run a good agency.

The productivity of flight service stations is bound to be substantially less now when we need them quite a bit.

We will be back within 2 weeks.

Senator ANDREWS. We will look forward to that summation. We appreciate very much your insight into these problems. It is most helpful to us.

You haven't gotten too much of a problem with the slot situation, have you, with private aircraft?

Mr. GRAVES. We feel we are getting our fair share out of the management of the ATC system now; yes.

Senator ANDREWS. I thought so. I just wanted to make sure.

Mr. GRAVES. We have problems but we feel like we are getting our fair share.

Senator ANDREWS. Thank you very much for your insight. We appreciate your coming here today.

Mr. GRAVES. Thank you.

[The statement follows:]

STATEMENT OF W. LAWRENCE GRAVES

AIRCRAFT OWNERS AND PILOTS ASSOCIATION (AOPA)

Mr. Chairman, I am here today representing the views of the 260,000 AOPA members around the country and their obvious interest in the activities of the Federal Aviation Administration, the federal agency that regulates virtually every aspect of flying.

We regret that we have not had access to the FAA's fiscal year 1983 budget justifications long enough to present to you the kind of specific and professional analysis that we attempt to do. We will submit an addendum for your hearing record within two weeks making specific comments on various elements of the FAA budget. Our follow-up presentation will be along the lines of our testimony at last year's hearings on the fiscal year 1982 budget.

As you know from your service on both the House and Senate Appropriations Committees, there is very little change from year to year in most federal budgeting and we expect that many of the same points we raised last year will be equally valid this year and we commend them for your consideration.

This year's budget may be unique at least in the annals of the Federal Aviation Administration's appropriations history. As you know, the Administration's budget request for fiscal year 1983 is a contingency budget. The Administration, in its budget message restated before this committee last week has requested part of its budget officially and another part informally with the view that it will be officially requested if this committee appropriates 85% of the Federal Aviation Administration's budget from the aviation trust fund.

This kind of contingency budget creates problems for us in commenting on next year's spending levels. In brief, however, we can say that with regard to the request for funding virtually

all of the FAA's budget from the trust fund we say, "Don't do it."

The books are now closed on fiscal year 1981 and it proved to be the first year in a decade in which funding from the trust fund for FAA administrative costs exceeded spending on airport development. 1982 will be the second year in a row and we expect that the FAA will get nearly twice as much from the trust fund for its own uses as it expends on airport development around the country. This should not be permitted to continue.

The unfortunate trend we now face is an aviation trust fund being used as administrative slush fund for the FAA. Any federal agency with access to this kind of money for its internal salaries and other institutional costs can be expected to be even less careful in its spending habits than an agency which must compete for its administrative costs. We urge you to reject any level of trust fund monies for FAA operational costs that exceeds the amount of money committed to airport development.

In the last few months we have heard a great deal from the FAA on its program to enhance and modernize the air traffic control system. Since it is unlikely that the FAA will receive 85% of its budget from the trust fund it is possible that you will not have consider appropriating funds in the "contingent" proposal. However, in connection with the possibility of a request for these "contingent" funds, we suggest that you ask a number of questions as you evaluate the request:

1. Is it within the realm of possibility that the program will be implemented as proposed or are there factors, such as political objections and/or its cost to the aviation industry, that would prevent it from being implemented?

2. Is there sufficient flexibility in the system to allow it to withstand a minimum of ten years of the federal budget cycle or is it conceived as a whole and might collapse if the

large growth in the FAA budget it assumes is not available to it?

3. Is there a cheaper way to do the same job? The Congressional Office of Technology Assessment has noted that the FAA could meet its computer needs to the year 1990 with a computer upgrading estimated to cost $65 million instead of the new hardware purchase of $250 million proposed by the FAA.

4. Are there elements to the plan which might not be in the best interest of American aviation or for which there is not sufficient knowledge of their value at this time? An example we offer is the microwave landing system which is proposed in the plan for 1983 despite international agreements requiring us to maintain the current instrument landing system program at least until 1995 -- which we believe will be extended by the International Civil Aviation Organization.

5. Does a commitment in the initial year of funding for the FAA proposal mean a ten year appropriations commitment or is the FAA prepared to adjust its schedule as time goes by?

We continue to believe the FAA's public information budget is entirely too high and we will document this belief.

The medical department of the FAA is a certifiable disaster. Other than taxes, the administration of medical standards by the FAA receives the biggest number of complaints we get from our members by a substantial margin. The agency projects a four per cent cut in the staffing of its medical department, but an 18 per cent increase in its funding.it is our belief that the employees there now are primarily used to frustrate changes in FAA medical policy and to generate sufficient paperwork through obsolete management methods.

We believe that there can be substantial cuts in the FAA medical program without compromising safety. For example, utilizing the most current advances in medical thinking, AOPA has recommended to FAA that it approve a three-year third class medical certificate instead of the present two year

examination. Such an action would save money for both the government and our members and help streamline this bureaucracy.

Funding is requested to close or part-time certain flight service stations. We have no evidence from the budget justifications that these reductions are proposed in connection with completion of any modernized flight service stations. We support the modernization program, but we expect the FAA to complete modernization before eliminating current facilities.

AIR TRANSPORT ASSOCIATION OF AMERICA

STATEMENT OF JOHN E. RALPH, SENIOR VICE PRESIDENT, OPERATIONS AND TECHNICAL SUPPORT

Senator ANDREWS. Our next witness is John Ralph, Senior Vice President of the Air Transport Association of America.

Welcome to the subcommittee. We are glad to have you here. You may proceed. Be assured your statement will appear in the record in its entirety.

Mr. RALPH. Mr. Chairman, in view of that fact, let me briefly highlight four important points worthy of your consideration today:

First, the airlines support the FAA National Air Space System plan, the Helms plan, for short.

Second, we recognize that support for the plan necessitates support for the reauthorization of the Airport and Airways Developments Act to provide necessary funding. Reauthorizing legislation has been blocked for over a year now because of the intimately connected issues of defederalization and head taxes.

We have proposed an approach which we believe will meet the needs of the entire aviation community. That approach includes making all public-use airports eligible for the ADAP program and continuing the ban on passenger head taxes.

In recognition that all airports will continue to be eligible for ADAP, increase the annual ADAP program accordingly and offset the increase by funding a greater share of the total FAA budget from the General Fund.

Establish passenger ticket, cargo waybill and international departure taxes no higher than necessary to support approved programs and seek equity improvement in the proportionate share of air carrier and general aviation contributions.

Avoid a large aviation trust fund surplus by requiring that expenditures be made to carry out the combined ADAP program and the Helms plan, and by providing for a reduction in user tax levels if warranted.

My third major point is that we support the FAA budget proposal for fiscal year 1983, including the planned supplement, which includes $324 million for the necessary research, engineering and development of the facilities and equipment to initiate the ATC modernization plan.

In addition, the following changes are necessary to meet the requirements for reauthorizing the Airport and Airways Development Act:

Since all airports would be ADAP eligible, increase the ADAP appropriation level from the current $450 million to the range of $600 to $750 million.

Adjust the operations and maintenance account to reflect a greater contribution from the General Fund. The trust fund has always been used primarily for capital investment, but increasingly in recent years greater amounts have been provided for O. & M. needs. At no time, however, has that amount exceeded $800 million. Accordingly, we do not support the jump to more than $2 billion for fiscal year 1983.

We would recommend a more modest amount, such as that contained in the authorizing legislation reported by the Commerce Committee.

Fourth, we take note of the legislation being considered in both Houses of Congress. S. 1912 and H.R. 5038, which would authorize a pay package for the dedicated FAA employees who stayed at their jobs while others struck illegally. We strongly recommend that funds be provided in the fiscal year 1983 O. & M. appropriation for this pay package, permitting its implementation without delay once authorized.

We also support the FAA's fiscal year 1982 supplemental which provides the wherewithal for the continuation of necessary research, engineering, and development efforts already underway.

This year has the potential of becoming a milestone in aviation development with the reauthorization of the Airport and Airways Development Act and the beginning of the modernization of the ATC system.

This year also has the potential for becoming another frustrating year. From our standpont, the key to progress is the continuation of the ban on head taxes.

That concludes my highlights, Mr. Chairman. I appreciate the opportunity to make these points.

Senator ANDREWS. One quick question: There is a view expressed in a recent OTA study that perhaps short-term requirements could be met by upgrading certain ATC computers utilizing commercial equivalent equipment currently in the Government inventory. What is your view of this proposal?

Mr. RALPH. We do not support that alternative. It can be done technically; it has already been done once at the Jacksonville Airways Traffic Control Center, where the system was upgraded. But it would be time consuming; it would be expensive, probably on the order of $100 million.

It is true, that about three additional functions could be performed by the FAA for the users, such as something called enroute metering and spacing, and constant alert for VFR aircraft, but it does not increase capacity; it will not perform any of the services that it will be necessary to perform in the late 1980's and early 1990's.

Indeed, you will then end up with the same equipment that we have in 12 of the centers now, 15- to 20-year-old technology, relatively low

reliability, increasingly difficult to maintain, a labor-intensive system. Then, after a few years, in the order of anywhere from 3 to 5 years, perhaps 7 at the outside, you would have to throw away that $100 million investment and do exactly what the FAA is proposing that we do now in the first place.

We support modernization now and not a patchwork approach.

Senator ANDREWS. Thank you very much for an excellent statement.

Mr. RALPH. Thank you, sir.

[The statement follows:]

STATEMENT OF JOHN E. RALPH

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE

My name is John E. Ralph. I am Senior Vice President, Operations and Technical Support of the Air Transport Association of America. The Association represents virtually all of the nation's scheduled air carriers. We are pleased to be here today to offer our views on the FAA FY-1983 budget proposal and related funding.

This year's budget is of special importance to the airlines in view of its magnitude and the commitment being sought for its support. Accordingly, we do not intend to present our list of desired F&E items -- as has been our practice in years past -- but to address the budget in its entirety. Also, attached for your information is a copy of our recent testimony before the House Transportation, Aviation and Materials Subcommittee of the Science and Technology Committee, which stated our views on FAA's National Airspace System Plan and related research and development efforts.

Before proceeding, let me take this opportunity to state our highest regard and appreciation for the extraordinary services performed by FAA employees in operating the nation's Air Traffic Control system following the August 3, 1981 air traffic controller strike. This remarkable effort, which sustained operations with a high level of safety, is an outstanding example of dedicated service in the public interest.

Airline Views on the FAA Plan

FAA Administrator Helms has recently unveiled a comprehensive plan to improve and modernize the National Airspace System, including necessary replacement of the ATC computers. The airlines have long supported the modernization of the Air Traffic Control system in order to reduce congestion and delays

and to insure above all else that the airways will be operated efficiently and remain reliable and safe. In our view, prompt modernization is essential.

Thus, we support the objective of FAA's National Airspace System Plan, which describes improvements envisioned through the year 2000. We also believe the airlines and other users should participate in the review and further refinement of the Plan in order to insure that necessary support and coordinated actions will be taken in a timely way, and that actions taken by the FAA are related to the capabilities of the users to respond to the Plan.

We recognize that support for the Plan necessitates support for the reauthorization of the Airport and Airway Development Act to provide necessary funding. The funds needed for the first year of the Plan are included in a proposed FY-1983 budget amendment.

Airports

In addition to supporting needed airways improvements, we support a program of Federal aid for all airports serving the nation's air transportation system. This step is needed to obtain support from all interested parties for a revitalized Aviation Trust Fund program.

We recognize that the delay last year in enacting legislation to reauthorize the airport and airway program occurred principally because of differences between the jurisdictional Committees of the House and the Senate and among the elements of the aviation community about "defederalization" and head taxes.

1. Defederalization and Head Taxes

When defederalization, that is, the elimination of certain large airports from participation in the airport de-

velopment aid program, was first proposed several years ago, it was contemplated that the domestic ticket tax would be 2% and that the ban on head taxes would be continued. This foundation on which the airlines based their original position no longer exists and, accordingly, they no longer support defederalization.

The airlines continue to strongly oppose head taxes and urge that they continue to be prohibited. The simplest way to assure this would be to make all airports eligible for ADAP grants. The airport operators have rightly pointed out that the Administration's proposal of $450 million for ADAP is inadequate if all airports are eligible to participate in the program. A higher figure -- perhaps in the range of $600 million to $750 million -- would be necessary if there is to be any meaningful airport development as well as any realistic expectation of support from the airport operators and resolution of this troublesome issue.

2. Level of General Fund Support

If an additional $150 to $300 million were to be provided for the ADAP program, how would it be funded?

Since air carrier passengers and shippers would already be contributing up to 95% of Trust Fund revenues, it is quite unreasonable to expect a greater contribution from this source.

If the Congress is unwilling to increase the general aviation contribution from 5% of Trust Fund revenues to a higher figure -- even for the 65,000 business aircraft -- then the solution must be found in a higher proportion of General Fund contributions. Thus, the Administration's proposed ratio of 85% Trust Fund/15% General Fund should be changed.

It is important to note in this connection that the Administration proposes that more than $2 billion of FAA Operation and Maintenance (O&M) cost is to be met from Trust Fund revenues in FY-1983. The Trust Fund has always been used primarily for capital investment, not operating costs, but increasingly in recent years greater amounts have been provided for O&M needs. At no time, however, has the amount exceeded $800 million. Accordingly, it is not unreasonable to question why a jump of such magnitude should be permitted, and why a more modest amount, such as that contained in S. 508 or H. R. 2643, should not be followed. This may well be the means for resolving the long-standing ADAP issues, and enabling the reauthorization of the airway and airport legislation and the ATC modernization program.

An Approach to Consider

If the aviation community as a whole is to lend its support for a reauthorized program, certain needs must be met. An approach recently adopted by the ATA Board of Directors attempts to provide for these needs, and is summarized below.

Possible Approach on Combined
ADAP/National Airspace System Plan

1. Make all airports eligible for the ADAP program and continue the ban on head taxes. Limit project eligibility to airside safety and congestion needs; land acquisition for expansion or noise purposes; and reliever airports, so as to enable priority handling of air carrier operations at congested hub airports.

2. Provide a $750 million annual ADAP program, and offset the additional ADAP funding by a General Fund contribution greater than the 15% proposed by the Administration, or if necessary by use of the Trust Fund surplus.

3. Establish ticket, waybill, and international tax levels no higher than necessary to support the program, and

seek some equity improvement in the proportionate shares of air carrier and general aviation contributions.

4. Avoid a large Trust Fund surplus by requiring that expenditures be made to carry out the combined ADAP/ Airways Plan, and by providing for a reduction in user tax levels if warranted.

5. Insure that the airlines and other users of the airways have ample opportunity to confer with FAA on technical aspects of the Helms Plan before it is carried out.

Administration's FY-1983 Budget Including Proposed Amendment

With the foregoing principles for a revitalized airport and airways program firmly in mind, I would like to address a few points in the Administration's total FY-1983 budget. In a way, this budget is a first step towards implementing the National Airspace System Plan. In this implementation we believe that a careful assessment of priorities is necessary in choosing the items to be funded in the first year. We recommend that ATC productivity and capacity improvements be stressed in assigning priorities.

A major portion of the Airways Facilities funding is for the proposed computer replacement. In our opinion, the crucial interdependence of the host computer and the sector suite has been somewhat obscured by the fact that they have been portrayed as independently manageable subsystems. The proposed schedule for the host computer appears to us to be both expensive and time consuming and could adversely impact the system sector suite development. While a competitive procurement is certainly necessary, it may be worth exploring alternatives to see if competition can be achieved while consuming somewhat less time.

On close examination of the budget submission, we note that there are certain F&E items which we consider should be funded in FY-1983 but are apparently included in the $300 million the Administration indicates will be submitted later as an amendment. These items include Mode S first articles, ARTS II replacement of TPX42 terminal air traffic control equipment, ASDE III (Airport Surface Detection Equipment), communications improvements for centers and terminal facilities, frangible approach lights, wind shear detection equipment, and approximately 100 VASI's (Visual Approach Slope Indicator Systems).

We also note that FAA has apparently encompassed into the R, E&D budget the programs which relate to its regulatory role (formerly identified as F, E&D). As recommended in prior years, we continue to believe that FAA's regulatory and policing functions should be separately funded from the General Fund, because the exercising of police powers is in the overall public interest.

At this point, I would like to briefly mention two other important programs requiring funding. First, we take note of the fact that there is another vital piece of legislation being considered by both Houses of Congress, and that is the pay package for the dedicated FAA employees who stayed on during the strike, S. 1912 and H. R. 5038. We strongly recommend that funds be provided in the FY-1983 O&M appropriation for this pay package permitting its implementation without delay, once authorizing legislation is passed. Second, funds should be provided to keep the pipeline of air traffic controller trainees full, and we support approval of the FY-1982 O&M supplemental that has been submitted. We note that the Administration is requesting $16 million in the supplemental for FY-1982 for R, E&D. We believe these funds are necessary to permit funding of needed work already under way.

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Need for Accountability

In addition to laying the cornerstone for a number of needed system improvements, the National Airspace System Plan is a good beginning for a feasible system of accountability, which the Congress and the users have long considered necessary to properly oversee FAA's operation. We hope that FAA will take the next step by providing periodic updates of the Plan, as necessary, and regular reports of progress towards achieving its outlined goals.

Summary

Mr. Chairman, we urge you to support the ATC modernization program together with increased funding for ADAP. Both are essential and can be accomplished in tandem as we have suggested. Equally important is the need for the authorizing legislation to recognize that the taxes to fund the combined program should be tied to a commitment to carry out the Plan. Funds collected through user taxes should not exceed those needed for approved programs, and an excessive surplus should not be permitted to accumulate. Otherwise, airline passengers and shippers will be paying far higher taxes than are necessary. We recommend endorsement of the National Airspace System Plan, and appropriation of the funds needed to get under way with this first year of a multiple year program of improvements.

FAA'S NATIONAL AIRSPACE SYSTEM PLAN

It is a pleasure to be here today to offer our views on the FAA's National Airspace System Plan (The Helms Plan) and related research and development efforts.

Summary of Airline Views

The airlines have long supported the modernization of the Air Traffic Control System (ATC) in order to reduce congestion and delays, and to insure, above all else, that the airways will be safe, reliable, and efficiently operated.

We are pleased that action is being taken to meet this need.

Thus, in principle, we support the Helms Plan and commend the Administrator for his initiative and personal direction of the technical survey that led to the plan. Based upon our preliminary review, we offer the following observations:

- The airlines and other users should participate in the review and further refinement of the plan in order to insure that necessary supporting and coordinating actions will be taken in a timely way and that actions taken by the FAA are related to capabilities of the users to respond.

- While agreeing generally with the technical scope of the plan, the airlines have developed a number of detailed questions which they have given to the FAA and we will be pleased to furnish to this Committee if desired.

- While additional cost information has been provided in recent days, longer range and more complete cost estimates are needed, including projected costs to users. The plan estimates should also contain an analysis of other factors that could affect ultimate cost, such as the degree of technical risk associated with various elements of the plan and the need for further development of the concepts employed in the systems architecture. Since large projects of this kind often end up costing far more than anticipated, the possibility of substantial overruns must be considered with some idea as to how the problem will be handled should it occur.

- The system acquisition strategy is a factor, along with the technical concept and the cost estimate, that must be carefully considered if the plan is to meet its technical, cost and schedule objectives. While FAA has purchased major items of equipment for a number of years, the Helms Plan involves the acquisition of an integrated system that goes far beyond anything that FAA has attempted before. The Administrator is aware of this aspect of the matter and has established a special program office to help manage the acquisition of the ATC replacement computer. It is extremely important that this office be adequately staffed and funded, and cloaked with the necessary authority to get the job done. In addition, to help manage all of the constituent systems, the FAA is reconstituting the Aviation Systems Acquisition Review Committee under the direct supervision of the Administrator.

- Finally, there are questions as to who will pay how much of the plan's cost, a subject which we hope shall be resolved in the Congress quickly, so that FAA can move forward with this plan in a timely fashion.

With this brief summary of our views, let me turn to the discussion of several subjects of particular relevance.

Expected Growth in Aviation Activity

The airspace system plan is needed to accommodate the growth in aviation that is expected in this decade and through the planning period to the year 2000. FAA expects that:

- IFR traffic will increase 50% in the next 10 years.

- The number of air carrier aircraft will increase

only modestly from the present 2,500 or so during the next 10 year period, since growth in passengers will be accommodated by larger aircraft and improved utilization. Commuter and air taxi aircraft are expected to grow at a somewhat higher rate.

- The major source of growth will be in the general aviation category. This heterogeneous grouping now totals about 200,000 aircraft and will grow to about 300,000 by 1990. Within the grouping, business aircraft, now numbering about 65,000, are expected to reach 100,000.

Attachment I, appended at the end of my statement, portrays graphically the projected increase in the numbers of aircraft that will be handled by the ATC enroute air traffic control centers.

The forecasts used by the FAA are based upon economic assumptions and models prepared by the Office of Management and Budget. Whereas in detail, there are some specific assumptions which we believe to be overly optimistic, and others somewhat pessimistic, the overall conclusion is that the FAA growth forecasts are reasonable. It is clear that there will be significant growth and it is likewise clear that the current ATC system cannot accommodate that growth.

The prior Administration, looking at this anticipated growth, suggested, to the consternation of the aviation community, that the necessary airway and airport facilities might not be available to handle such a significant increase. The Helms Plan is intended to provide the requisite airway facilities to accommodate this growth. If for no other reason, then, an expansion of the airway facilities, along the lines contemplated in the Helms Plan, is needed if the expected growth is to be accommodated.

Modernization

In addition to the need for expansion, there is a concurrent need to modernize the ATC system. The present system is based upon computers of an earlier generation that have been outmoded by more modern solid state technology and other advancements. Maintaining these computers at a satisfactory level of reliability and obtaining the necessary spare parts is becoming progressively a more difficult task with the passage of time. The 9020 ATC mainframe computers have very little growth potential and cannot accommodate higher orders of automation necessary to implement advanced enroute air traffic control programs. Even if growth in demand materialized at a slower rate than forecast, there would still be an overwhelming need for modernization.

Improved Productivity

The enlarged and modernized ATC system is also expected to be far more productive. By substituting investment in facilities for expansion of the controller work force, the FAA Administrator has estimated that perhaps 10,000 controllers could handle the job that might otherwise require a work force in excess of 25,000. Thus, the plan permits a significant avoidance of personnel costs and provides greatly increased labor productivity.

The plan also envisages other means of improved efficiency and productivity through reduction and consolidation of many present facilities. The domestic centers, for example, would be reduced from 20 to 16 and flight service stations from 317 to 61.

Additional Challenges

The National Airspace System Plan is a bold and necessary first step. The FAA must reinforce this plan by overcoming several challenges.

- The Management Challenge

From previous FAA testimony, it appears that the Advanced Automation Program Office is primarily focused upon the host computer, the controller sector suite and their immediate ancillary programs. We see a need for a single, comprehensive management information and reporting system and a single management control center or office that can be used by the Administrator and his Aviation System Acquisition Review Committee (ASARC).

The challenges of effectively managing such a long lasting and complex undertaking may make it necessary for the FAA to institutionalize a true systems program office with full executive authority over contract specifications, performance, schedule and budget. As the Advanced Automation Program Office matures, perhaps it could take cognizance over the entire ATC modernization program.

- Research, Engineering and Development (R, E&D or R&D)

It would be helpful if the FAA were to draw up and release a detailed research and development plan which supports the airspace system plan. A significant level of research and development is needed to provide the systems identified in the plan. In joint hearings before this Subcommittee and the Subcommittee on Investigations and Oversight on March 9, 1982, we identified a number of R&D programs which should be pursued, as well as those which might be curtailed in these tight budgetary times. I have included this statement for your reference at Attachment II. While we believe that Facilities, Equipment and Development (F, E&D) program items should normally be separately funded from the R, E&D program, FAA's FY-1983 budget submission includes a number of worthwhile programs in each area.

We are pleased to note that FAA has apparently decided to move ahead now on a program to reduce vertical separation above Flight Level 290 (a pressure altitude of 29,000 feet). Since the significant benefits of

this program are not dependent upon the new computer we can see an early payoff in terms of increased airspace capacity.

The FAA budgeting strategy in FY-1983 included the submission of a basic FAA budget to be followed by a supplemental at a later date after the Aviation Trust Fund revenue issues are resolved by the Congress. As a result some, or all of the items we propose may very well be included somewhere in FAA's plans. In any case, the following items should be adequately funded to assure early benefits from implementation of the modernization plan.

- Expansion of Automated Enroute Air Traffic Control (AERA) Program to Evaluate Adjacent Sector Coordination and Automatic Backup Clearance Generation Capability, and to Quantify Controller Productivity Improvements;
- Voice Communication Systems Prototype;
- Operational Test and Evaluation of MODE-S (DABS) Transponder Data Link;
- Advanced Control Concepts Technology;
- NAS Central Weather Processor and Service Unit Engineering Model; and,
- Next Generation Weather Radar (NEXRAD) (FAA share of joint program).

In addition, we believe the following items should also be included in FAA's R, E&D program.

- Automated Metering and Spacing;

- Early demonstration of AERA concepts at an Air Route Traffic Control Center and accelerated implementation of those which prove advantageous;

- Increased Emphasis on ATC Human Factors Engineering as Related to Planned System Improvements; and,

- Acceleration of Demonstration of Full Microwave Landing System Capabilities in Civil Widebody Transport Aircraft.

We note that the Administration has requested additional FY-1982 funds in the amount of $16 million. We believe these funds are necessary to permit funding of work currently under way in the following areas:

- AERA Development

- Communication and Data Link Development

- Validation of Vertical Separation Measurement Technology

- Precision DME Development (Needed for MLS evaluation)

- NEXRAD Development (FAA's share of joint program)

All of these items are supportive of the National Airspace System Plan.

- Transition Planning

Careful transition planning is clearly important for both the host and the advanced sector suite computer systems and the new software. We understand that consideration is being given to a transitional role for the enhanced DARC (Direct Access Radar Channel). To change system software while still operating the air traffic control system is a major undertaking. We recommend that a comprehensive transition plan be developed which would include not only the replacement of hardware and software but also take into account the magnitude of human engineering problems which can be anticipated.

Careful transition planning is also needed for other FAA actions -- the consolidation of ATC facilities, the new communications system, incorporation of Automatic Enroute Air Traffic Control (AERA), and data link between ATC and the aircraft warrant special attention.

We are concerned about the proposed early phase-out of the Instrument Landing System (ILS). The ILS is a proven, reliable part of the national airspace system and the air transport network. We question, on economic grounds, whether or not it is a good business decision to immediately replace ILS with another system, except at locations where ILS does not perform reliably, or at other locations where ILS could not be installed due to siting problems. Users continue to invest significant funds for airborne ILS equipment. There is a heavy investment being made to upgrade approach and landing capabilities to Category III operations. The users need to retain existing facilities and upgrade others to appropriate standards in order to realize a fair return on these investments.

- User Consultation

The MLS replacement program for ILS serves as a good example where close consultation and coordination will be needed between users and the FAA. As MLS is introduced, users wishing to exploit this capability will have to install new MLS receivers in their aircraft, but will have to retain their ILS capabilities as well. The MLS implementation schedule needs to be well integrated with user equipment acquisition plans. Since users will have to maintain dual capability for an extended period of time anyway, the FAA should be very circumspect about decommissioning fully capable and reliable ILS facilities for no other reason than to install MLS. While we support the implementation of MLS, we do not support the decommissioning of ILS facilities simply because a certain date appears on the calendar.

The FAA has given us one means for user consultation by creating the National Airspace Review (NAR) Advisory Group. The consultative groups of the NAR will address issues of procedures, airspace organization, and aircraft/ATC system interfaces. The first meetings of the NAR are scheduled in the near future and are expected to extend over several years.

In our view it is very appropriate for the users to be invited to participate in the further development and refinement of the national airspace system modernization plan. On the basis of Administration proposals, the major portion of the entire FAA budget will be funded by the Aviation Trust Fund which obtains its revenues from user charges. It is anticipated that fully 94 - 95 percent of the revenues which will go into the Aviation Trust Fund will come from the airline passenger ticket tax, cargo waybill tax and the international departure charges on passengers.

- Computer Replacement Schedule

The proposed schedule for the host computer appears to us to be both time consuming and expensive. The FAA plan calls for acquisition of two competitive host systems to be followed by a one year side-by-side run-off at the FAA Technical Center. The production award would be made in 1985 provided there is no schedule slippage. The present acquisition strategy seems to postpone the production commitment to such a late date that there is a risk of impeding sector suite development. While a competitive procurement is certainly necessary, it may be worth exploring alternatives to see if competition can be achieved while consuming somewhat less time.

With respect to the sector suite, the FAA portrays an R&D contract award in 1983 with a prototype demonstration in 1985 and contract award for the production model in 1986.

When one lays this schedule against the system architecture the FAA has portrayed for the advanced automation program, we see the potential

for difficulties. The system architecture calls for distributed processing between the mainframe computer (host) and the sector suite. The advanced software programs will be partitioned to run in the host computers and the sector suite. Universal data busses utilizing standard protocols will allow the sector suites access to all necessary information shared with other systems. Simply speaking, these systems must enjoy the most intimate interrelationships. It also means that the host/sector suite is the critical link in the FAA modernization plan.

We believe the crucial interdependence of the host computer and the sector suite has been somewhat obscured by the fact that they have been portrayed as independently manageable subsystems. We also believe the procurement strategy of these programs is overly complicated and time consuming. We believe the new capabilities offered by the host and the sector suites may be needed earlier than implied by the plan. We believe that postponing the procurement decision for the host to such a late date creates uncertainties about the commitment to the plan. For all of these reasons, we would hope that the FAA would continue to study and refine this part of their plan.

- Funding

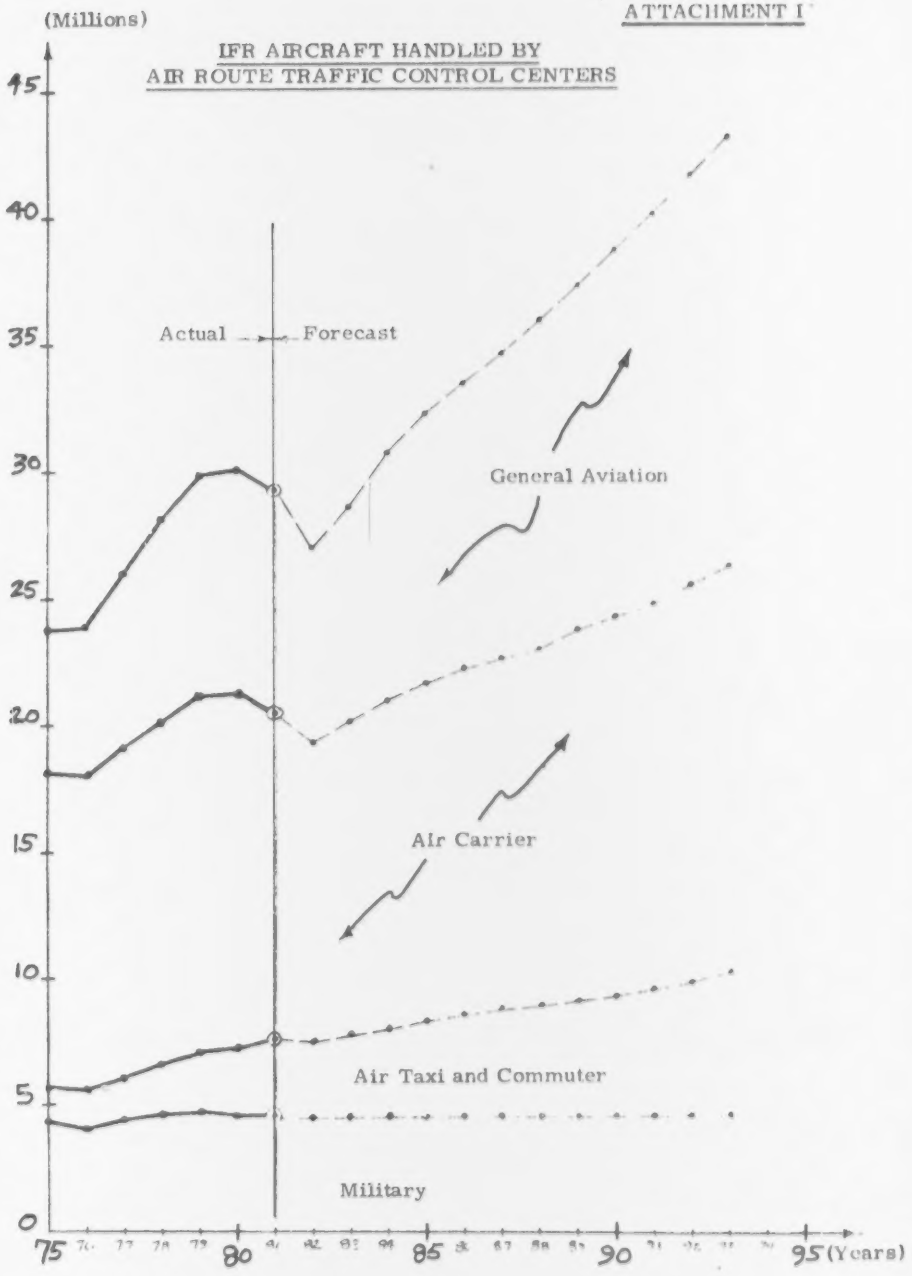
Clearly, execution of the modernization plan and its associated research and development will necessitate additional funding levels over and above what FAA has received in recent years. The airlines support the reauthorization of airport and airway legislation and the ATC modernization plan with appropriate user charges to fund approved programs. We believe the passenger ticket tax, the cargo waybill tax and the international departure charges should be no higher than necessary and should be tied to a commitment to carry out the capital improvements of the plan. If revenues exceed expenditures and an unwarranted surplus continues in the Aviation Trust Fund, provision should be made for a reduction in user tax levels. We hope

the Congress will move ahead with the ATC modernization program and an adequately funded ADAP program that includes development funds for airports.

SUMMARY

In summary, Mr. Chairman, we support the FAA modernization plan in principle while reserving our right to consult with the FAA on details. We believe the ATC system must be modernized to provide the necessary capacity and efficiency of the system and to insure its continued safety in the years ahead.

ATTACHMENT I



RESEARCH AND DEVELOPMENT AND AIR SAFETY MATTERS

My name is John E. Ralph. I am Senior Vice President, Operations and Airports of the Air Transport Association of America which represents virtually all of the nation's scheduled air carriers. It is a pleasure to be here today to offer our views on the important subject of research and development and air safety matters.

This nation's air transport system is widely recognized as the safest and most advanced form of public transportation in the world. We shall take every action necessary to keep it that way.

The airlines take most seriously their legal and moral responsibility to give safety the highest priority. The growth of air transportation has depended above all else on the fulfillment of these responsibilities. Airline safety and reliability have improved substantially over the years, while major advances were accomplished in terms of the number of people carried and quality of service offered. An excellent example was the introduction of transoceanic jet service. Over the past 30 years, no matter how it is measured, the safety record of scheduled airlines has improved dramatically. For example, as noted in the following statistics of the National Transportation Safety Board:

U. S. SCHEDULED DOMESTIC AND INTERNATIONAL PASSENGER SERVICE

	Fatal Accidents per Million Aircraft Miles	Passenger Fatalities per Million Aircraft Miles	Fatal Accidents per 100,000 Aircraft Departures
1951-55	0.012	0.201	0.253
1956-60	0.008	0.195	0.197
1961-65	0.006	0.148	0.160
1966-70	0.003	0.073	0.134
1971-75	0.003	0.094	0.114
1976-80	0.001	0.056	0.091

A number of actions have had a major influence on this safety record. I shall not name them all, but a few examples are in order. Certainly the new facilities in the National Aviation System and continued emphasis on training of air crews and air traffic controllers have had a major influence. Insistence upon the highest possible maintenance standards, and continued aircraft and other hardware improvements have contributed. These actions are all related in some degree to fundamental research and development (R&D) efforts. Much of the aircraft improvement was, and still is, based on the early work conducted by the National Advisory Committee on Aeronautics (NACA). The aeronautical research and technology work of NASA continues to contribute significantly. Mechanical and structural reliability of aircraft systems has been increased as a result of improved engineering and development, both by industry and Government. Turbine engines and solid state electronics development are examples where more reliable systems have contributed to the outstanding safety record of the airlines.

While today's aircraft are mechanical marvels, there will always be the goal of improvement. Real needs exist today for technological improvements. Research and development must be pursued aggressively now and in the future to achieve continuing gains. Times are changing and new areas of potential improvement need to be emphasized such as fuel conservation and increased Air Traffic Control system capacity, including reduced delays. More attention needs to be devoted to the human factors engineering part of the equation.

In our view, much of the needed R&D effort must be conducted by the Government, not only for Government

operated portions of the National Airspace System, but also so that results of this research will not be confined to one segment of industry but available to all U. S. industry and Government. The alternative of private development could be prohibitively expensive, and if undertaken could result in a large part of advanced technology being proprietary to one or a few corporations and hence not generally available to all producers. Extensive Government research resources available at NASA and FAA facilities should be utilized and not duplicated by private industry.

General Concerns About Government Support of R&D

In times such as the present, when there is a need to reduce Government expenditures, we see cuts being taken or proposed in research and development funds. In our opinion, this is due, in part, to the lack of visible and measurable short-term consequences of the proposed program reduction. However, in our view, these shortsighted cuts will result in difficulties a few years later.

We respectively wish to point out three general areas of concern with respect to Government funding of R&D, specifically regarding NASA and FAA programs.

First, when it comes to aviation safety and efficiency, we do not agree that basic research should be Government, and developmental research should be private. This philosophy would imply that there is a natural break in knowledge and programs between basic and developmental research. To the contrary, the categorization of research in this way appears to create an unnatural chasm in the spectrum of knowledge. This gap is particularly apparent in high technology endeavors, and carries the risk of prematurely terminating

worthwhile developments, just short of the conceptual demonstration needed to establish the development as worthy of implementation. For example, such termination of Government effort does not appear to be in the public interest in the programs for the energy efficient engine and energy efficient transport, including advance turboprop, where the results should be available to all potential producers and not be proprietary to a single firm. With regard to the advanced turboprop, we are disappointed about the Administration's plans to cancel this effort as "developmental research," and believe the plans serve as an illustration of the unnatural categorization philosophy. There are still aerodynamic and aeroelastic problems with highly swept propeller blades, and fundamental challenges exist in design of gear boxes, hubs, and blades for the high horsepower required. While other aspects of an advanced turboprop may be sufficiently mature for industry to start development, solutions to these problems are needed. Thus the knowledge about advanced turboprops spans the spectrum of basic and developmental categories. Further, if terminated now, it is unlikely that industry can overcome the risk of developing such a contribution to fuel efficiency.

Second, we are concerned that the previous FY-1982 actions relative to NASA's appropriation seem particularly paradoxical. The FY-1982 program decisions have now been confirmed in the FY-1983 budget submission. Even though Public Law 97-101 appropriated funds including $284 million for NASA aeronautical research and technology in FY-1982, the Administration has stated it expects to spend only $233 million for aeronautics, a cut taken without consultation with Congress or industry. By decimating needed programs in FY-1982, there appears to be an attempt to force Congressional actions on

the FY-1983 budget before Congress has an opportunity to deliberate on the issues. While these are times of budget austerity, we do not believe that the proposed cuts to the NASA budget are fiscally sound in the long run and are not in the best interest of the nation.

The third area of concern is with respect to the FAA. Here the situation is somewhat different. The FY-1982 FAA research and development appropriation adopted by Congress reflected a radical cut from the initially proposed budget, to levels far below any discussed during public testimony. Even with the now proposed supplemental, this curtailment has reduced FAA R&D to such a low level that FAA efforts are at a virtual standstill. The projected application of selective furloughs at FAA to reduce 1982 outlays will further complicate the situation. Together, these will cause major slippages on vital programs. Further, when compared with the original FY-1982 budget request of $118.5 million ($95.0 million for R, E&D plus $23.5 million for F, E&D), the FY-1983 budget request of $133.5 million to cover both R, E&D and F, E&D projects does not appear sufficient to correct the FY-1982 funding deficiencies.

Although a different subject, we must again object about the use of Aviation Trust Fund moneys for regulatory projects and for other such items contained in the F, E&D program accounts. These are clearly inherent duties of the Government in the exercise of its police powers in the public interest, and as such should be paid for from the General Fund of the Treasury.

Specific Programs

We understand the Administration's FY-1983 budget

proposes to fund, to some degree, a number of safety- and efficiency-related projects in NASA and FAA including:

Human Factors Engineering (NASA)
Low Speed Systems Technology (NASA)*
High Speed Systems Technology (NASA)*
Commercial Aircraft Fuel Savings Program (NASA)
Wake Vortex Alleviation Investigation (NASA)
Air Traffic Control Development (FAA)
Advance ATC Computer Development (FAA)
Navigation Development (FAA)
NEXRAD - Improved Weather Radar (FAA - Joint SPO)
Aviation Medicine (FAA)
Aircraft Safety
Lights and Markings (FAA)
Anti-Misting Fuel (Joint NASA and FAA)
Cabin Materials (Joint NASA and FAA)
Seats (Joint NASA and FAA)
Math Models (Joint NASA and FAA)
Aircraft Icing Study (Joint NASA and FAA)
Snow and Ice Control Techniques (FAA)
Lightning Strikes (NASA)
Improved Tires/Runway Interface (NASA)
Advanced Anti-Skid Systems (NASA)
Better Fire Extinguishments (NASA)
Characterization of Atmospheric Hazards and Effects on Aircraft (NASA)
Lateral Gust Gradient (NASA)

There are a number of additional NASA and FAA programs which the Administration is unwilling to fund that the airlines believe should be pursued aggressively. These include such items as:

NASA

- Energy Efficient Engine
- Energy Efficient Transport and Advanced Turboprop
- Large Composite Primary Aircraft Structures
- Accelerated Wake Vortex Alleviation Efforts
- Advance Head-Down Cockpit Display Comparative Evaluation
- Turbine Engine Hot Section Technology
- Accelerated Development of Data Base on Lightning Strikes
- Velocity Acceleration Heading and Altitude (VGH) Studies - Including Application to Provide Flight Technical Error Data for Use in Program to Reduce Vertical Separation
- Numerical Aerodynamic Simulator

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* *Congressional consideration of funding reduction of programs marked with asterisk appears appropriate.*

FAA

- Mode S - Automated Traffic Advisory and Resolution System (Using ground equipment at Mode-S sensors.)
- R&D for 1,000 Feet Vertical Separation
- Acceleration of Wake Vortex Detection R&D
- Acceleration of Development of Means to Provide Controller with Aircraft/Vehicle Identity to Enhance Ground Surveillance Radar
- Low Level Wind Shear - Development and Evaluation of Ground and Airborne Alerting Systems
- Acceleration of Demonstration of Full Microwave Landing System (MLS) Capabilities in Civil Wide Body Transport
- Development of Alternative Anti-Misting Additives for Jet Fuel (In cooperation with NASA.)

In recognition of the need for budget savings, we reluctantly agree that some programs will need to be cut. Accordingly, we believe the Cockpit Display of Traffic Information (CDTI) program is of lower priority and should be reduced in scope or eliminated before those listed above. Under these circumstances, while it will probably be necessary to trim the Terminal Configured Vehicle program, we suggest consideration be given to retaining some of the facilities in the NASA inventory for selected applications. In addition, care should be exercised that the head-up display work being conducted jointly by NASA and FAA not take on the appearance of a sales pitch, but rather concentrate on improving head-up displays, and fairly evaluating their disadvantages and advantages.

We also consider that a high level of human factors engineering capability has been demonstrated at NASA's Ames Research Center, and that suggested programs to duplicate this capability at other Government facilities should be turned down unless there is convincing evidence that NASA is in-

capable of satisfying the requirement. It should be noted that FAA has extensive background in air traffic control which should be useful in human factors engineering for the controller and the automated Air Traffic Control system. In addition, the Aviation Safety Reporting System operated by NASA and funded by FAA provides a unique and vital data base for pilot and controller human factors; the program should continue to be operated by NASA with funding provided by either FAA or NASA.

It should also be noted that the proposed new ATC computer system promises a number of features such as improved availablity/reliability and automatic conflict free clearances. These capabilities should inherently increase safety. Continuing research and development funding for this program is of vital importance.

We are concerned, however, that a key ingredient to this new and improved system is being ignored. I refer to the lack of clear-cut statements of intent by FAA to require Mode S transponders in all aircraft. Such a requirement would help assure that the ATC system is provided with information needed to operate efficiently and safely. We see little to be gained by developing a sophisticated technical computer capability without the follow-on implementation to provide necessary inputs.

Continued acquisition of certain products of FAA R&D is also appropriate. For example, we believe that solid state Instrument Landing System (ILS) equipment should be installed to replace obsolete tube-type systems used at airports, which will remain after the conclusion of the Administration's ILS procurement program. These solid state systems utilize improved antennas and other advanced technologies developed in

previous R, E&D programs. Clearly, procurement of these systems should continue.

We support FAA plans in FY-1983 to implement an improved airport surface radar, the ASDE-3, developed some time ago. We also support near-term improvements to the ATC system by providing improved tools to the controller, such as the Electronic Tabular Display System (ETABS) and Automated Metering and Spacing. In addition, new controller trainees should be introduced to new control concepts as soon as practicable during their training, so as to develop a receptiveness to the likely future changes.

Funding Commitment Needed

Finally, we believe Government research and development programs need to have some continuity and not be subject to vagaries from year to year. Programs such as NASA's Advanced Turboprop and FAA's Computer Replacement program, once initiated by the Government, should be funded to a reasonable conclusion. Consideration of a multi-year authorization for research and development in both NASA and FAA may be warranted to insure this objective. FAA's permanent authorization for procurement and implementation of airways equipment has served well in the past, and need not be adjusted at this time.

In summary, the record shows an overall improvement in airline safety, due to a great extent, in our view, to past research and development efforts, as well as airline, airways and airport improvements. While future major safety improvements may be more difficult to attain, we recommend the continued funding of the specific projects I have identified.

This completes my prepared statement, and I will endeavor to answer any questions you or the Committee may have.

GEORGETOWN UNIVERSITY

STATEMENT OF FATHER WILLIAM L. GEORGE, S.J., SPECIAL ASSISTANT TO THE PRESIDENT OF GEORGETOWN UNIVERSITY

Senator ANDREWS. Our next witness is our old friend, Father George, speaking for Georgetown University. It is kind of nice to have a major university named after you, Father George. I had a delightful dinner Tuesday night with a number of your alumni.

Father GEORGE. We are finding more of them now that we have gotten the publicity from the NCAA.

Senator ANDREWS. There are more from North Dakota going down to Georgetown to be educated than you can shake a stick at.

Father GEORGE. Thank you, Mr. Chairman.

I am Father William L. George, S.J., special assistant to Father Healy. I will be very brief, as Father Collins has always taught me to be, less than 5 minutes. I will be surprised if the yellow light goes on.

Senator ANDREWS. I will be, too.

Father GEORGE. I would like to give a brief report on the status of the project which your committee has supported in the past and request the funds in the amount of $7 million for phase I, which the university hopes to match out of its own resources.

The project is on schedule. We expect that all the tasks that were funded last year will be ready for design and implementation and construction by July 1. One of the reasons for that is that UMTA has been very cooperative.

We appreciate the expression of interest by the committee because I think that helped.

We have had numerous companies bid on the project. I have found that very encouraging because from their professionalism they found the project intriguing and one that they felt really could do what we intended to do, to cut costs and to help deal with the maintenance problem of the transportation systems, at least within universities.

The District of Columbia participated in the selection process of the companies and I have listed four of them. Bernard Johnson, Inc., won the competition, but it was really close. There were four very good presentations.

Mr. Charles Van Horn is my guardian angel watching me back there. We find it necessary to phase the project so that we don't interrupt the traffic within the city or the university very much. What we hope to do is really demonstrate that we can eliminate the need for operating subsidies by either the Federal, city, or State. We hope to demonstrate that the technical and financial capability to maintain equipment and facilities is possible. We are working with industry and the power company to do that.

We also hope that we can develop subsystem technologies which are applicable not only to systems now but also ones that will have potential in the future.

We have a little system, the GUT system, which also gets people in and out of the city and down here sometimes.

On behalf of Father Healy, I thank you for the opportunity to make this request and report. We anticipate that we will be able to handle all the maintenance and come up with anywhere from $3 to $4 million toward the construction in its first phase.

Senator ANDREWS. Thank you, Father George, for your usual excellent statement.

Father Collins has been appearing before the subcommittee in the House for 10, 12, 14 years.

Father GEORGE. I have only been here since 1975, but Father Collins has been around a long time.

Senator ANDREWS. He has an ongoing training program.

It is good to see you again. We appreciate your coming forward.

Father GEORGE. Thank you, Mr. Chairman.

[The statement follows:]

Statement of Father William L. George, S.J.

Mr. Chairman and Members of the Committee, I am Father William L. George, S.J., Special Assistant to the President of Georgetown University.

The Georgetown University Intermodal Access Program is currently on schedule. All the planning and design tasks funded last year are in progress. The site selections and phasing have been determined. The necessary scenic easements, the environmental assessment are near final resolution. The signalized entrance configuration is in preliminary detailed design. It is anticipated that most necessary elements of these tasks will be defined and ready for construction by 1 July 1982.

We had numerous companies bidding on the project. The innovative and practical implications of the program caught their imagination. The final four were:

Hayes, Seay, Mattern and Mattern
Henningson, Durham, and Richardson
Parson, Brickerhoff, Quade and Douglas, Inc.
Bernard Johnson, Inc.

with Bernard Johnson, Inc. as the winner of the award. The enthusiasms and highly professional presentations were gratifying and encouraging. The D.C. Department of Transportation participated in the selection process as part of the panel.

It is necessary to phase the project so that there is not undue disruption of traffic in and around the University. We request $7 million for the construction of Phase I. The project intends to prove that cooperative joint management strategies for Transportation systems and energy production can bring life-cycle-costs to a self sustaining level, eliminating any need for operating subsidies, by either federal, state or city. We hope to demonstrate a technical and financial capability to maintain equipment and facilities. We are actively working out such a program with industry and our local power company.

The focus of the proposed demonstration project is a Multi-Modal Transportation Center with a parking structure housing electrical energy production and thermal storage. The project will be a national exemplar for providing reliable transportation services and strategically improving the energy efficiency of an urban community.

The first phase of the proposal will develop a Multi-Modal Transportation and Transportation Energy Project which would utilize the Georgetown University southern entrance off Canal Road. The Transportation Center would include a parking facility which would be in a multiple-use structure which would contain electrical energy production dedicated to transportation services. The energy system will be designed as an integrated support system for light rail systems or electrical buses, in addition to signalization and highway lighting.

The Transportation Center would serve the Georgetown University Transportation Society (GUTS) bus operation which presently interfaces with the Foggy Bottom and Rosslyn Metrorail stations and other public transportation routes. The Center would also serve as an intermodal transfer point both for passengers transferring among the WMATA (Metrobus) and/or GUTS and passengers transferring to an intra-University transit system and provide for emergency vehicle access to the Medical Center. The The project would be designed to accommodate whatever form of transportation the D.C. Department of Transportation decides to use to service the Fort Lincoln and Glen Echo areas. In harmony with the administrations objectives, this demonstration would be focused towards the development of subsystem technologies which are applicable not only to present-day systems, but also to potential future transit systems which should provide better service at lower cost.

DCDOT, COG, UMTA, and Georgetown University have cooperated in the analysis of the transportation problems of the Georgetown area. The Georgetown solutions are ready to implement and will be designed to demonstrate transportation and energy conservation joint strategies and management of major urban university impacts on city traffic as a model for the 2,000 other urban colleges and universities. The proposed project will demonstrate solutions which benefit both University and urban transportation/energy-related problems.

On behalf of our President, Rev. Timothy S. Healy, S.J., we are grateful for the opportunity to testify before this Committee. We would like to ask that our testimony be submitted for the record.

(ATTACHMENT 1)

metropolitan washington
COUNCIL OF GOVERNMENTS
1875 Eye Street, N.W., Suite 200, Washington, D.C. 20006 223-6800

July 15, 1981

M E M O R A N D U M

TO: Transportation Planning Board

FROM: Albert A. Grant, P.E.
Director of Transportation Planning

SUBJECT: Transportation Improvement Program (TIP)
FY 82-86

Attached is a summary of comments received to date on the Draft Transportation Improvement Program (TIP), FY 82-86, and responses indicating how appropriate revisions will be incorporated into the final TIP.

The Draft TIP was presented to you at the May meeting of the Board with my memorandum of May 20, 1981. Included with the attached is documentation and a summary of additions to that Draft.

The TPB Technical Committee, at its July 10, 1981 meeting, recommended favorable action by the Board, subject to the comments and responses.

Also attached is an appropriate draft resolution for consideration and action by the Board on July 22, 1981. If you have any questions concerning this, please call Harvey Berlin or Ken Flick of my Staff.

SUMMARY OF
COMMENTS AND RESPONSES TO
DRAFT FY 1982-86 TRANSPORTATION IMPROVEMENT PROGRAM (TIP)
FOR THE WASHINGTON METROPOLITAN AREA

L. D.C. Department of Transportation (D.C. DOT) (June 23, 1981 Verbal)

1. Comment: D.C. DOT has requested that the Draft FY 1982-86 TIP be amended to include the Vehicle Access Demonstration Project on Canal Road at the Southern Entrance to Georgetown University. This project will be conducted by Georgetown University and would receive special funding earmarked in the Federal Supplemental Appropriations and Rescission Bill (PL 97-12), over and above any regular U.S. DOT funding.

Response: This project will be reflected in the final TIP, as shown in Attachment B.

(ATTACHMENT 2)

metropolitan washington
COUNCIL OF GOVERNMENTS
1875 Eye Street, N.W., Suite 200, Washington, D.C. 20006 223-6800

September 11, 1981

Mr. David F. Erion
Executive Director
Northern Virginia Transportation
Commission
2009 North 14th Street, Suite 300
Arlington, Virginia 22201

Mr. Thomas M. Downs
Director, D.C. Department of Transportation
415 - 12th Street, N.W., Room 508
Washington, D.C. 20004

Mr. Oscar K. Mabry
Director of Planning
Virginia Department of Highways and
Transportation
1221 East Broad Street
Richmond, Virginia 23219

Dear Sirs:

Enclosed are the A-95 Clearinghouse Reviews for three projects included in the Transportation Improvement Program (TIP) for FY 82-86, which were additions to the original Draft TIP. Therefore, these additions were not included in the A-95 reviews of the original Draft TIP that were submitted to you earlier.

This supplements my letter of July 23, 1981, with the resolution adopted by the Transportation Planning Board on July 22, 1981, endorsing the TIP for FY 82-86, as revised to reflect comments and responses indicating proposed revisions or additions. Another copy of that resolution is enclosed for your convenience. These additions to the FY 82-86 TIP include: (1) the Northern Virginia Transportation Commission Ridesharing Demonstration Project in the I-66 corridor; (2) the Georgetown University Southern Entrance Vehicle Demonstration Project; and (3) the Virginia Department of Highways and Transportation UMTA Section 16(b)(2) program.

The A-95 review of these additions to the FY 82-86 TIP has been completed as follows:

1. Metropolitan Clearinghouse Review, memorandum of September 2, 1981 (Clearinghouse Number 82-03-003);

2. District of Columbia A-95 State Clearinghouse Review, memorandum of August 6, 1981 (Clearinghouse Number DC-216-81);

3. Maryland A-95 State Clearinghouse Review, memorandum of August 31, 1981 (Clearinghouse Number 81-7-1070); and

4. Virginia A-95 State Clearinghouse Review, letter of August 24, 1981 (Clearinghouse Number 81-08-358N) and memorandum of September 3, 1981 from Virginia Department of Intergovernmental Affairs (Clearinghouse Number 81-08-358).

If you have any questions concerning these reviews, please call Harvey Berlin or Ken Flick of my Staff.

Sincerely,

Albert A. Grant, P.E.
Director, Department of
Transportation Planning

(ATTACHMENT 2)

metropolitan washington
COUNCIL OF GOVERNMENTS
1875 Eye Street, N.W., Suite 200, Washington, D.C. 20006 223-6800

COG #23

A-95 METROPOLITAN CLEARINGHOUSE MEMORANDUM

TO: Mr. Al Grant
National Capital Region Transportation
Planning Board
Metropolitan Washington Council of Governments
1875 Eye Street, N.W.
Washington, D.C. 20006

DATE: September 2, 1981

SUBJECT: PROJECT NOTIFICATION AND REVIEW FOR

PROJECT: Transportation Improvement Program for the Washington Metropolitan Area, FY 1982-'86 Amendments--Regional
COG NO.: 82-03-003

APPLICANT: National Capital Region Transportation Planning Board

The project title, COG number, and applicant's name should be used in all correspondence with COG concerning this project. Correspondence should be addressed to Mr. Walter A. Scheiber, Executive Director. The staff may be reached by telephone at 223-6800.

FINAL DISPOSITION

☐ We have concluded review of the above item and have determined that its nature does not warrant metropolitan comments. A copy of this memorandum and any attachments should accompany your application to indicate that the Metropolitan Clearinghouse review has been completed.

☐ A copy of the above item has been sent to _____ for review and comment, with direct response to be made by _____. Copies of any local agency comments which you receive should also accompany your application to the Federal agency.

☒ We have concluded review of the above item and have determined that it is in general accord with the metropolitan planning process and COG's adopted policies. A copy of this memorandum and any attachments should accompany your application to indicate that the Metropolitan Clearinghouse review has been completed.

☐ We have concluded review of the above item and submit herewith, the attached Metropolitan Clearinghouse Review Comments. A copy of this memorandum and the attached comments should accompany your application when submitted to the Federal agency to indicate that the Metropolitan Clearinghouse review has been completed.

_____
EXECUTIVE DIRECTOR

WE APPRECIATE YOUR COOPERATION

Clearinghouse review comments will be valid for a period of two years from the date of this A-95 Metropolitan Clearinghouse Memorandum. All projects not submitted to the Federal funding agency within that period must be resubmitted to the Clearinghouse for update of the review comments before formal application is made to the Federal Governmer..

DISTRICT OF COLUMBIA DEPARTMENT OF TRANSPORTATION

STATEMENT OF MR. THOMAS M. DOWNS, DIRECTOR

Senator ANDREWS. The subcommittee will stand in recess for 10 minutes.

[A brief recess was taken.]

Senator ANDREWS. Our next witness is Thomas M. Downs, Director of Transporation for the Government of the District of Columbia.

Mr. Downs, welcome to the subcommittee.

Mr. DOWNS. Thank you very much, Senator. I appreciate the opportunity to appear before your subcommittee and would say that we have submitted testimony for the record.

Senator ANDREWS. You may be assured it will appear in the record in full.

Mr. DOWNS. In the interest of your time and the committee's time, I would like to summarize a couple of those points:

First, we are somewhat like an orphan child appearing before you as a governmental entity. While we are heavily dependent in a number of respects on discretionary decisions made by the Congress around the earmarking and apportionment of funds, we rank up there with Guam and American Samoa and the Commonwealth of Puerto Rico in not having a member of the Senate represent our interests. So, in many respects we are dependent on the good will and the understanding of the Senate in making decisions about funding.

Senator ANDREWS. Isn't that true, that all the action on funding takes place in the other body?

Mr. DOWNS. However, it turns out that the reality is that there is a good deal of respect for the decisions made by this body about a number of funding requests.

Senator ANDREWS. You do say the proper things.

Mr. DOWNS. We have a number of specific responsibilities in the District that are easily overlooked. We have 1,200 miles of street and about 260 bridges. We have to resurface and reconstruct 35 miles of road every year just to stay up with it. In recent years we have been doing as little as 5 or 6 miles of resurfacing every year. That means we are resurfacing a road every 200 years.

We have a prospect of Federal funds declining. We have had a 34-percent cut in our primary, urban, and bridge funds between 1981 and the proposed 1982 budget.

Senator ANDREWS. What are you doing on Constitution Avenue with all that construction going on?

Mr. DOWNS. Constitution Avenue belongs to the U.S. Park Service. We know they are putting in a 65 CVA power feed line that will service the needs of Capitol Hill.

Senator ANDREWS. You mean we are responsible for all that digging and mess that we have to drive around every morning?

Mr. DOWNS. Yes, Senator.

Senator ANDREWS. I should not have asked that question. I remember 15 or 16 years ago my first subcommittee chairman, John Rooney, told

me, "Mark, as long as you serve on the Appropriations Committee the key thing you want to keep in mind is never ask the question for which you don't already have the answer." I have violated the Rooney Rule, and that's the first time I have done that in a long time. Go ahead.

Mr. DOWNS. We are also suffering through some cuts in State substitution funds for interstate projects. All the substitution funds we reserve for bridge and road projects are used for resurfacing roads and bridges. We are lacking $15 million in funds to get projects authorized and funded for 1982.

We have a 1983 shortfall of more than $35 million. We know that is an unreasonble expectation on our part and are willing to negotiate much further back on that. We still have a substantive need for interstate substitution funding for District highway projects, particularly to get started a massive resignalization of the traffic signals in the District of Columbia. We are now under design for that project. About $32 million is projected over the next 4 years for a complete resignalization of all the signal systems in the District.

We need to shift funds to Stark-Harris from the administration's budget recommendation of Metro funding for the 1983 year. We had talked to Secretary Lewis about it. I think the Secretary agrees with the concerns that we have raised and has said that they will be supportive of that recommendation, in other words, changing those funds from one category to the other, and it will not make a dent in the bottom line figures.

In closing, I would like to commend your staff. I am very appreciative of the support and understanding that I have received, especially from Mr. Hardin in explaining these issues.

Senator ANDREWS. We are very proud of the job they do, too.

Mr. DOWNS. We also like the understanding that you are at least temporarily, as your second home away from home, a resident of the District of Columbia. We would like to extend to you an offer that we could, if there is interest on your part, take you on a tour of a number of facilities that we still have uncompleted or in the completion state; for instance, the center leg freeway.

Senator ANDREWS. I would like to do that. Incidentally, what is the status of the completion of the center leg freeway? It seems a shame to be using all that expensive construction for parking.

Mr. DOWNS. I agree 100 percent. As you probably know, we sent the request over in 1980 to the Congress for authority and funding for the project. The Senate rejected the funding for the center leg as a project.

Senator ANDREWS. That was before the enlighted new class came.

Mr. DOWNS. I understand. We have now—because of interest raised by Members of the Senate about completing that project—made a request for reprograming authority which will be over here within the next 2 weeks. We hope that we can have that project out to bid this fiscal year, underway in the spring of next year, and completed in very short order.

We would like very much to tie that section to New York Avenue and finish that last tunnel segment.

If we could, we would be glad to show you a number of other facilities in the District which are in urgent need of completion or tieup.

Senator ANDREWS. Thank you very much. Given the schedule that it looks like we are going to be having this summer when we get away from committee hearings and spend our time working late at night on the floor, it might be refreshing to spend the morning looking at some of the projects.

Thank you for a good statement.

Mr. DOWNS. Thank you.

[The statement follows:]

STATEMENT OF THOMAS M. DOWNS

Director

District of Columbia

Department of Transportation

Mr. Chairman, members of the Subcommittee, I am Thomas Downs, Director of the District of Columbia, Department of Transportation and a member of the Washington Metropolitan Area Transit Authority Board. I appreciate the opportunity to appear before you today to discuss appropriations for federal transportation programs and their effect on one jurisdiction--the Nation's Capital. As the District has no voting representative in Congress, this opportunity to enlist your support for essential transportation programs is particularly welcome and needed.

Transportation Issues

The District is a small jurisdiction, but its population is equal to or greater than five States. The District maintains a road network consisting of 12 miles of Interstate highway, more than 1,000 miles of streets and roads, 2,080 miles of alley and sidewalk, and more than 250 bridge structures. Two thirds of these bridges are on the arterial and freeway systems. Currently, 23.7 miles of subway are operating in the District with another 14.4 miles planned to be opened by 1990. The transit system operates a fleet of 1,700 buses.

In the District we are fortunate in that the subway system is new and--with your help--expanding. Unlike other eastern cities, the concern with the subway system is not its condition, but whether or not sufficient funds will be available to ensure completion of the system in a timely manner.

The condition of our roads and bridges as well as our sewer and water system is a different matter altogether. Like many other urban centers, these basic capital systems are in serious need of repair and replacement. In the case of roads and bridges, the focus of my comments today, deterioration has been well ahead of repair for most of the last decade.

A study by the Federal City Council in 1980 identified a need to resurface 35 miles of streets each year to maintain a reasonable level of road service. This need is based on an expected life cycle for pavement of 25 years on arterials and 40 years on local streets. Between FY 1975 and FY 1980 the rate of resurfacing was approximately half that amount; during several years the rate of repaving of arterials was less than a fourth of the life-cycle goal.

The condition of District bridges poses an even greater problem. Bridge structures tend to deteriorate more rapidly due to weather and salting and

15-453 O - 83 -

the cost of repair is considerably higher. A 1980 survey of bridge condition indicated a need to reconstruct or replace 38 bridges between 1981 and 1996. The Federal City Council study indicated that major repair work was needed in the 1980's on an additional dozen bridges to overcome a decade of deferred maintenance.

The results of deferred maintenance and capital improvements can be measured in two important ways: public satisfaction and increasing potholes.

A recent poll by American University showed D.C. residents generally more satisfied with public services than they were in 1974 and 1976--except for street maintenance, where satisfaction has declined from almost 40 percent eight years ago to 24 percent today. At the same time satisfaction with police, fire, garbage collection, schools, and--I am pleased to note--transit has increased.

At the same time that citizen satisfaction with city streets was declining, the District's pothole budget was increasing. This winter the District was forced to request an additional one million dollars to handle the pothole problem. This is a poor use of limited funds, but we will continue to experience this problem until the backlog of street and bridge repairs is overcome.

Current Effort

As a result of the studies I have mentioned and our experience with a growing pothole problem, the District began in 1980 to expand the road capital improvement program. Moving from a local share of $6.3 million in FY 1979 to $12.9 in 1980, $15.5 million in 1981, and $29.8 million this fiscal year, the District has clearly demonstrated the local commitment.

Unfortunately, shortly after we came to grips with the road and bridge problem, federal funding became much more difficult to obtain for both transit and highway programs. We have gone, then, in a period of two years from a jurisdiction that turned back millions of federal highway dollars each year to one that is now short by more than $15 million in meeting its 1982 program.

Federal Resources

Our problem in the coming fiscal year will be acute if the Administration's proposed FY 1983 budget levels are enacted for the Primary, Bridge Replacement, and Urban programs. The difference to the District between FY 1981 and FY 1983 would be $6.2 million fewer federal dollars--more than a 34 percent reduction. The elimination of the Urban program in FY 1984 would put the District's road program back where it was four years ago, even though the level of local funds would be much higher.

And, while we welcome the new Interstate 4R Program, the level in FY 1983 and '84 ($800 million nationally) results in about half as much to the District as is

needed to repair and reconstruct the Interstate routes. Truck traffic that is heavier than anticipated and the large amount of elevated freeway and tunnels, which are more expensive to repair, combine to produce a costly maintenance problem for the District's Interstate System. Proposed resurfacing of a portion of the S.E./S.W. freeway (I-295), for example, is estimated to cost more than twice the 4R apportionment for 1984.

One other program, which the District has been counting on since 1976 to fund major improvements, is the Interstate Substitution program. During the last six years the District has spent almost two billion dollars of Interstate Substitution funds on Metrorail construction and approximately $27 million on highway improvements.

As indicated in Table 1 submitted with my written testimony, the District intends to spend an additional $147 million in Substitution funds for critical road, bridge and traffic operation improvements in FY 1983-1986. Our 1983 capital budget requires more than $53 million in Substituion funds. Without these funds we will not be able to begin implementation of our new signal program, we will be $5 million short of the amount needed for reconstruction of the George Mason bridge (the southbound structure), and we will be forced to resurface less than 10 miles of roads rather than the 35 miles needed to maintain pavement life. The backlog of 1982 projects not underway due to lack of federal funds will remain as a backlog.

Last year when the Substitution program for highways nationally was at a level of $288 million, the District received $7.1 million. You can imagine my concern--and that of DOT directors in other entitlement areas--over the proposed level of $150 million.

The national pipeline of highway projects and the impending deadline for Substitution projects to be underway in 1986, make this level unrealistic. Certainly, the message this sends to all of us still considering withdrawals is to reconsider. A non-essential segment may, in fact, be better than no project at all. I concur with the coalition of substitution states who are urging a reasonable time frame and annual funding level to complete Interstate Substitution projects - both highways and transit.

In light of your Committee's role in considering the WMATA budget, I would like to make one final point. The Administration's proposed 1983 budget for WMATA anticipates only $100 million in Stark-Harris funds in 1983. In view of the lack of substitution funds available for METRO from the three jurisdictions (See table 2) the $195 million in Substitution funds identified by

the Administration is unrealistic. Entitlements remaining from the District and Maryland are approximately $75 million. What is needed in FY 1983 is approximately $300 million in Stark-Harris funds. The National Substitution program could then be reduced by $200 million, so that the effects on the National budget would be negligible.

To enact a budget for METRO based on such a high level of Substitution funds would mean no METROrail construction program in FY 1983. At the $175 million level, WMATA would only be able to purchase equipment, pay debt service and complete current contracts. The alternative is to increase funding from an account authorized solely for WMATA. I ask your consideration of this alternative. Two weeks ago, Secretary Lewis met with the METROboard chairman and myself and expressed a willingness to support such a funding shift, as illustrated in Tables 3 and 4.

In closing, I thank you for taking the time to listen to the problems of one jurisdiction. I am sure that other cities and States are facing similar problems. We all recognize that States and localities must assume a greater burden. The District for one has increased the level of its commitment to both the transit and highway improvement programs. The decline in federal transportation funds, however, is too rapid for us to assume and maintain a reasonable program. Our alternative, should federal funds continue to decline, is to allow further deterioration of the road and bridge system and the signal system that controls more than 1200 intersections.

I urge you to maintain the level of federal transportation funding at the current year's level while new sources of user revenue are considered. The Nation's Capital can ill afford another bout with deferred maintenance of our transportation systems. As in past years, we rely on your good will to consider the District's needs as we are without a Senator to speak for us directly.

Table 1

D.C. INTERSTATE SUBSTITUTION PROGRAM
(all figures as of 9/30/81)

WITHDRAWAL FUNDING SOURCE	FEDERAL FUNDS(millions)
1st Stage[I-70S(D1-D4),I-395(C8-C13)]	$ 399.4
2nd Stage[I-66(1.36-I-395)I-266(B1-B3)]	$ 470.9
3rd Stage[I-295(C3-C6,I-395(C4-C8)]	$ 658.9
4th Stage[I-695(0.12-1.38)]	$ 364.8
Subtotal	$1,894.0
4th Stage Pending[I-266(0.45-1.45)](two sections)	$ 243.3
TOTAL VALUE OF INTERSTATE WITHDRAWALS TO DATE	$2,137.3
SUBSTITUTE PROJECTS	
D.C. Road and Local Transit Projects Funded	$ 20.1
Metrorail Construction Funded	$1,686.3
TOTAL	$1.706.4
BALANCE REMAINING	
Current	$ 187.6
Pending - I-266(0.45-0.96)	$ 128.9
I-266(0.96-1.45)	$ 114.4
TOTAL	$ 430.9
POSSIBLE ADDITIONAL WITHDRAWAL	
I-66, Section 1.11	$ 12.5
TOTAL AMOUNT POTENTIALLY AVAILABLE	$ 443.4
ESTIMATED COMMITMENTS	
FY 82 & 83 Metrorail Construction	$ 289.4
FY 82 - 85 D.C. Projects	$ 154.0
TOTAL D.C. COMMITMENTS OVER LIFE OF PROGRAM	
Metrorail Construction	$1,975.7
D.C. Road & Local Transit Projects	$ 174.1
TOTAL PROGRAM(Estimated)	$2,149.8

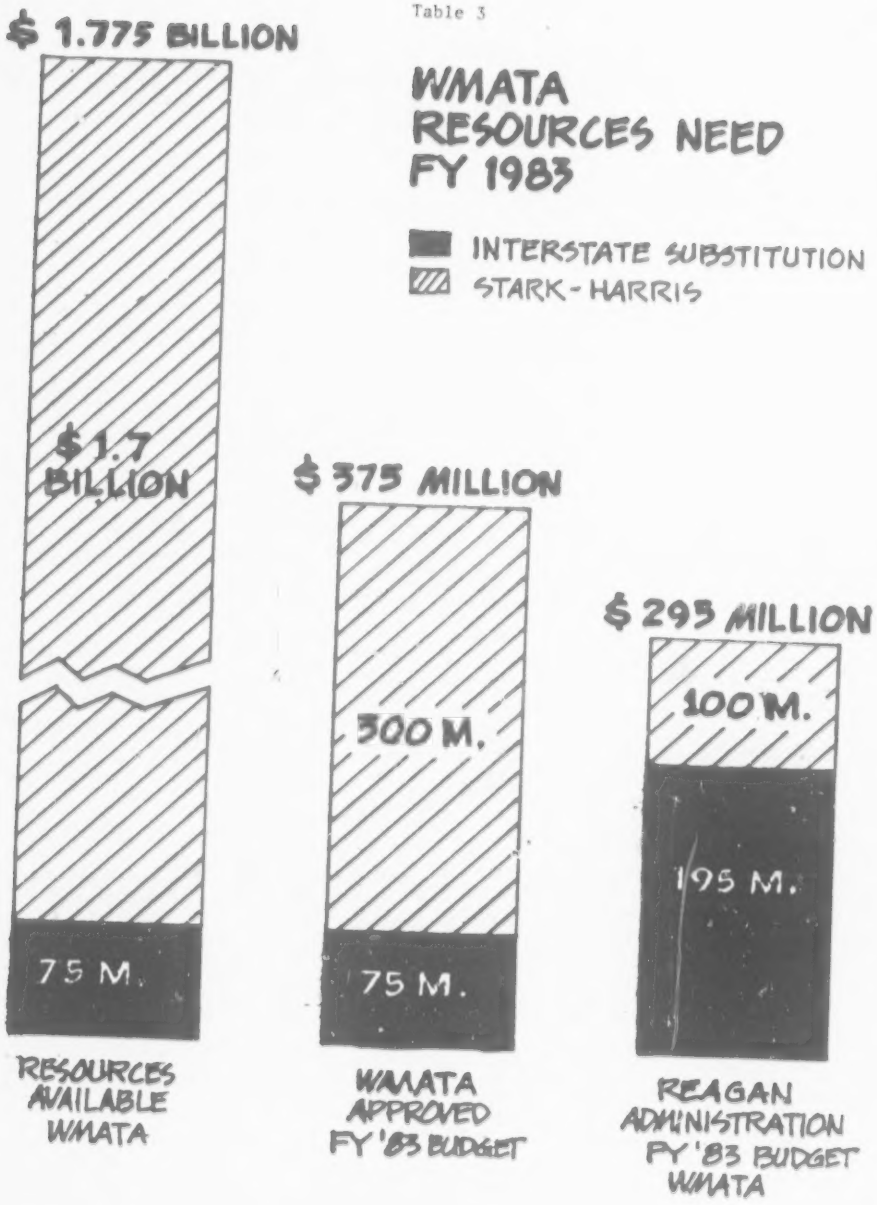
Table 2
STATUS OF INTERSTATE SUBSTITUTION
D.C. AREA

District of Columbia	Federal Funds Millions
Withdrawals*	$2,150.4
Metrorail Through FY 82	$1,931.3
Local Projects	$ 174.1
Additional Metro	$ 45.0
Maryland	
Withdrawals*	$ 186.3
Metrorail Through FY 82	$ 119.3
Local Projects	$ 37.0
Additional Metro	$ 30.0
Virginia	
Withdrawals*	$ 76.7
Metrorail Through FY 82	51.7
Local Projects	25.0
Additional Metro	0.0

* Includes planned withdrawals I-370 in Md.
I-595 in Va.
I-266 in D.C.

Table 3

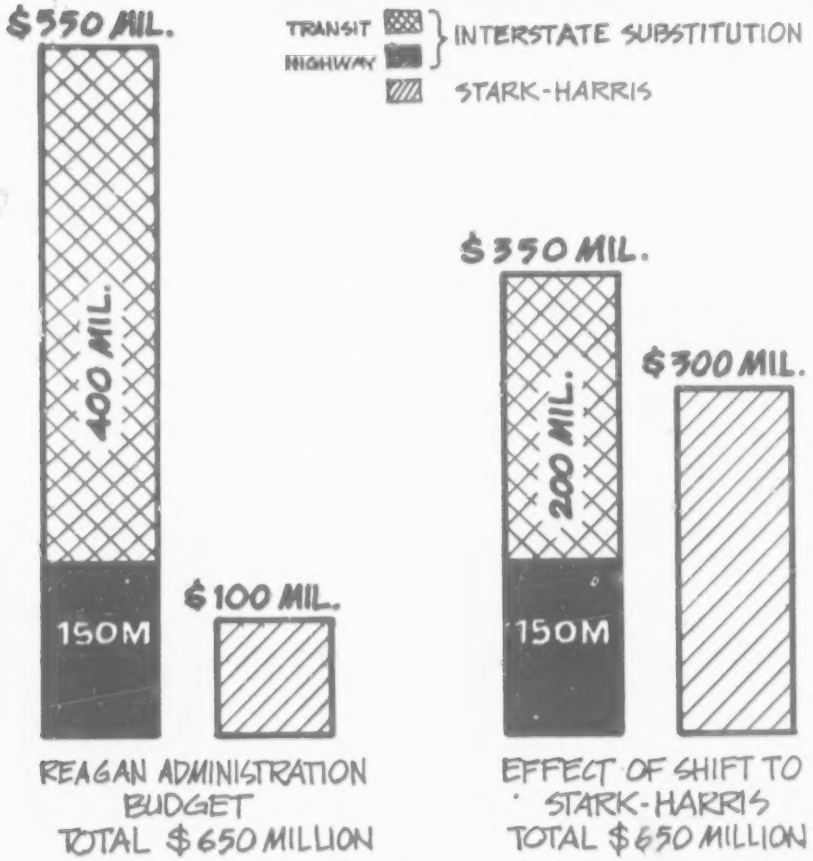
WMATA RESOURCES NEED FY 1983



PREPARED BY D.C.DOT/OPPD / APRIL 1982

Table 4

NATIONAL BUDGET EFFECTS
WMATA 1983 BUDGET



PREPARED BY D.C. DOT/OPPD/APRIL 1982

NATIONAL ASSOCIATION OF RAILROAD PASSENGERS

STATEMENT OF MR. ROSS CAPON, EXECUTIVE DIRECTOR

Senator ANDREWS. Our next witness is the National Association of Railroad Passengers, represented by Mr. Ross Capon. Welcome to the subcommittee.

Mr. CAPON. Thank you very much for having us.

A year ago, Barry was here alone because I was crossing, would you believe, North Dakota on the train. I am very grateful——

Senator ANDREWS. The train is still running, is it?

Mr. CAPON [continuing]. I am grateful that not only is the train running more frequently but also apparently it is not necessary for me to go barnstorming around talking to reporters this year.

Trusting that my full statement will appear in the record, I simply want to add that we are very excited about the fact that Florida, under section 403(b) is going to provide a Tampa-Miami roundtrip later this year. We think this is an ideal example of State cooperation, where Amtrak is providing long-distance service and the State is providing a short-distance service which will help make the facilities down there more economical.

We are also looking forward to a State-supported joint operation between New Orleans and Jacksonville in time for the New Orleans World's Fair in 1984.

We are especially appreciative of the work of this subcommittee and you, Senator Andrews, so much so that I will refrain from asking you to listen to me anymore. Thank you very much.

Senator ANDREWS. You know how to get the attention of the committee. We appreciate the job you have done. I think the committee, in some of the test votes on the floor of the Senate, has been able to establish that Amtrak shall be a national system. I think ridership is up. I hope you and your efforts and others' similar efforts can continue to stimulate more ridership because, after all, it is "use it or lose it."

There is no use maintaining that kind of system if people don't use it. I happen to think they do. You think they do. You are out in the field proving it. It is a great help to us.

As you know, we have a little disparity between what it takes to run a national system and what the original budget estimate is; but I would hope this year the committee—and I speak only as one of the committee—will see it that way again and can keep Amtrak moving as a national system.

Mr. CAPON. Thank you.

I want to give you one figure that I just recently saw in Amtrak's annual report. It looks very good. In fiscal 1981 the passenger-miles were up 4 percent. I believe there was somewhat of a decline in ridership, but the long-distance trains, where you have fewer people making longer trips, enabled Amtrak to report that. The passenger-mile is the basic unit of transportation. 1981 was pretty good after all.

Senator ANDREWS. The much maligned Cardinal has come up in ridership. Things are progressing. Thank you very much.

[The statement follows:]

STATEMENT OF ROSS CAPON
Executive Director

NATIONAL ASSOCIATION OF RAILROAD PASSENGERS

Mr. Chairman and Members of the Subcommittee, thank you for this opportunity to present the views of our Association, which is non-profit, consumer-oriented, and supported entirely by membership dues and contributions. We receive no financial support from the government, Amtrak, the railroads, or the rail labor unions.

I. Summary

We support $788 million for Amtrak, clarification of Amtrak management's right to manage its on-board food service, clear exemption of Amtrak from state and local taxation, highest practical funding level for mass transit, freedom for transit authorities to use such funding for operations and for new rail "starts," federal pressure to examine the light-rail option in conjunction with improved traffic control techniques, and minimum funding for construction of new highways.

II. Amtrak

We strongly support a FY 1983 Amtrak appropriation of $788 million, the full amount authorized, and the amount recommended by the Commerce Committee to the Budget Committee.

Combined with the clear establishment of the state and local tax exemption, this would permit Amtrak to spend $134 million on capital projects. This is a significant amount, though Amtrak's legislative report notes that $250 million worth of capital needs have been identified, including needs "that were deferred in FY '82."

No doubt you have heard many witnesses say adequate capital investment in their programs today will mean a more cost-efficient tomorrow. But no other segment of the transportation industry is producing such a low volume of transportation relative to its capacity and the market potential, assuming a larger fleet of passenger cars. Investment in further rehabilitation of old cars and in purchase of new cars would enable Amtrak to lengthen existing trains and operate more trains, increasing the system's efficiency and reducing its cost per passenger-mile.

Inevitably, the just-give-them-more-money-and-they'll-be-more-efficient refrain gives rise to cynicism in some quarters. Amtrak, however, has already established a record of improving efficiency: its revenue/cost ratio has risen from 38.3% in FY '78 to 41.1% in '81 and will exceed 50% this year; the number of passenger-miles generated per constant dollar of federal support rose 24% from FY '78 to '81; and the overall operation showed a 4% increase in passenger-miles from '80 to '81, notwithstanding major ridership declines (now reversing) in the Northeast Corridor.

Nevertheless, Amtrak provides only three round-trips/week, with trains of limited capacity, to such major cities as Houston, Dallas, Phoenix, Cincinnati, and San Antonio. No service at all is provided to Oklahoma City or the entire state of Oklahoma (see next section). These problems need to be solved.

One of the larger budget items in Amtrak's capital proposal--$12 million--is designed to generate still more money, from state and local sources: "establish a fund to encourage state and local participation in joint station projects..." Amtrak has come a long way with station improvements in the past decade, but much more remains to be done. In particular, Amtrak needs to recover downtown locations in major cities such as Richmond, VA; Jacksonville, FL; and Cincinnati, OH. The inadequate "temporary" facility in St. Louis must be replaced with a satisfactory "real" station.

Another capital item--$6 million--would lay the groundwork for a dramatic improvement: the connection of Amtrak's Empire Service (NY-Buffalo) to the Northeast Corridor at New York's Pennsylvania Station so that, for example, trips from Philadelphia or Washington to Albany by rail would not involve changing stations in New York, and Amtrak would be relieved of the exorbitant $5.5 million/year it now pays for the privilege of using Grand Central Terminal.

We deeply appreciate all of the work this Subcommittee has done on behalf of improved public transportation, and particularly your stand regarding Amtrak and state and local taxes. We encourage you to continue working on that front to insure that Amtrak is allowed to devote its funds to running a rail passenger service, not transferring federal tax dollars to governmental entities already benefitting from a service which is not available in all communities or states.

We urge you to do whatever you can to give Amtrak's management the freedom to manage its food service. What counts to the taxpayer and what should count to the Congress is the performance of Amtrak as a whole. The food service cannot sensibly be analyzed in isolation. Eliminating food service because, analyzed in isolation, it does not break even, could have a disastrous impact on Amtrak's overall revenue/cost ratio. The impact on long-distance trains is obvious, but there would also be an impact on short-distance trains. The high-revenue Metroliner Service trains now compete with a New York Air which is promoting food (Post, Apr. 28, p. A17). And some passengers on "short-distance" trains have very long trips (Washington-to-Boston is around 8½ hours).

If there must be a "food service analysis," it should credit a certain percentage of transportation revenues towards the food operation so that the analysis will bear some relationship to reality. We appreciate the fact that the food provision did not originate in the Senate. We also note that its existence has forced Amtrak to tighten up its food operations. At some point, however, the question will have to be faced: is the food-service provision intended to improve Amtrak's efficiency or to kill Amtrak? Again, whatever you can do to support the first of those options will be much appreciated.

In comparing Amtrak's FY '82 and '83 budgets, it is important to remember that a hefty $20 million increase in Amtrak costs results simply from the shifting of financial burdens within the Northeast Corridor as a result of the ICC's cost allocation decision. This, combined with Amtrak's proven record of improving its cost effectiveness, constitutes a strong defense of giving Amtrak more in current dollars than it received in FY '82.

Despite the decline in gasoline prices, demand for long-distance rail travel has remained strong. People are reluctant to take long auto trips--either they have old cars they can't afford to replace, or new cars too small for comfortable long trips. Except in major markets where there is heavy intra-airline competition, air fares have escalated out of sight. While most trips on Amtrak involve a major city, a large share involve a smaller city or town as either the origin or destination--markets generally not well served by affordable airlines.

III. Oklahoma

Oklahoma is the only populous state with no Amtrak service. We are hopeful that Amtrak will be able to inaugurate a Newton, KS-Dallas section of the "Southwest Ltd." operating via Wichita, Oklahoma City, and Fort Worth, in 1983. This would involve restoration of service to 402 route-miles, but the service would function largely to make more intensive use of existing facilities and services. If it operated tri- or quad-weekly, alternating with the existing tri-weekly "Eagle" via Little Rock, Amtrak would be able to offer daily or almost-daily service between Chicago and Dallas-Ft. Worth, strengthening "Eagle" by giving round-trip travelers between those points more travel-date options. (St. Louis is also a point common to both routes if one takes into account the Missouri-sponsored trains which connect in Kansas City with the "Southwest.")

The only major stations not now served are Oklahoma City and Wichita. They lost service in 1979, at which time the "Lone Star" on this Oklahoma route was outperforming the "Eagle" (then "Inter-American") even though "Inter-American" connected in both directions with the "Sunset" and "Lone Star" did not. Now, a revived Oklahoma service would not be "competing" with the "Eagle" for Chicago-Dallas traffic, since they would operate on alternating days.

For the record, there are only three Standard Metropolitan Statistical Areas in the U. S. which have no rail passenger service and which are larger than Oklahoma City. Columbus, OH, is indirectly served by "Broadway/Capitol Ltd." and "Cardinal," and should regain direct service in the next few years via a state-sponsored Cleveland-Cincinnati train. Louisville, KY, is indirectly served by "Cardinal." Both Louisville and Nashville, TN, would be served by a badly-needed Chicago-Florida service which is, we fear, too ambitious an undertaking for FY '83.

IV. Mass Transit and Highways

We view Amtrak as part of an integrated public (and total) transport network. Since the federal government has heavily subsidized highway development, especially through "trust fund" mechanisms that offer free revenue-collection and banking facilities, we believe the government should help restore some balance to U. S. transportation by fostering development of a healthy public transport system. The absence of such a system contributes to the bleak safety record on our highways. 51,077 deaths were reported in 1980, and the National Highway Traffic Safety Administration projects the annual kill rate on highways will reach 70,000 by 1990 which means that

more than a million people will die on highways between now and the century's end. I am sure we all want our children to have the best possible opportunities to avoid helping to fulfill those projections.

Amtrak can serve as a backbone to a nationwide public transport system. In many cities, its existence could facilitate development of commuter rail service which could utilize Amtrak stations and Amtrak's expertise in dealing with the operating railroads.

This leads naturally to a strong endorsement of the highest possible funding level for all mass transit in FY '83, preferably the $3.7 billion level which we understand is contained in a House Public Works Committee draft. We believe the federal government should not prohibit the use of its funds for operating subsidies and for starting construction of new rail transit systems. We do believe it highly appropriate that the federal government encourage consideration of the surface light rail alternative before funding subway systems.

We believe that creative solutions to traffic control problems will make light-rail systems feasible in more cities and reduce or eliminate the need for costly subways. Certainly, urban transport planners all over the U. S. should be familiar with the great success of the San Diego light-rail line which opened last July and is already achieving a revenue/cost ratio of 80%, with daily ridership of 12,000 (vs. 9,800 forecast). San Diego is already busy acquiring land for stations and parking for a second line; the right-of-way has already been acquired.

We are appalled at the levels of funding which the administration seeks for construction of new highways and at the attitude of Federal Highway Administrator Ray Barnhart towards such construction as reported in the March 19 Washington Post ("The Federal Report"): "PAVE FIRST, ASK QUESTIONS LATER...(Barnhart) complained ...about citizen-inspired delays to the interstate highway construction program. 'We need to cut out these timely delays,' he said. 'It has gotten out of hand because we allow these groups to stop us....' Groups in San Francisco (where they stopped the Embarcadero Freeway in mid-air and thus preserved the ferry area and the view of the city's skyline from the Bay) and Memphis (where Overton Park is still a lovely center-city attraction instead of eight lanes of I-40) and Washington (where I-95, the now-dead North-Central Freeway, does not cut through Brookland) may disagree. The department has several proposals in various stages that would reduce the ability of citizens to interfere with the bulldozers and concrete trucks."

Suffice it to say that NARP does not share Mr. Barnhart's conception of what is meant by "getting the government off the backs of the people."

We do appreciate the fact that S. 2315, introduced by the Senate Environment and Public Works Committee, reflects a shift in funding priorities towards maintenance of the existing highway system.

One source of demands for new highways and for highway-widening projects is the failure of U. S. traffic engineers to control highway intersections efficiently. In many instances, replacing traffic signals with rotaries can improve highway capacity and safety. Rotaries have gained acceptance at low-volume intersections in Seattle ("Seattle's Neighborhood Traffic Control Program," ITE Journal, Feb. '82), but the U. S. apparently has ignored totally the possibility of using rotaries at higher-volume intersections. In the center of London, unsignalized rotaries handle up to 10,000 vehicles/hour. But the next geometry manual of the American Association of State Highway and Transportation Officials will delete all reference to rotaries.

Thank you again for the opportunity to present these views, and for your hard work to improve our transportation system.

RAILWAY LABOR EXECUTIVES ASSOCIATION

STATEMENT OF J. R. SNYDER, CHAIRMAN, SAFETY COMMITTEE, RAILWAY LABOR EXECUTIVES ASSOCIATION; NATIONAL LEGISLATIVE DIRECTOR, UNITED TRANSPORTATION UNION

ACCOMPANIED BY LAWRENCE M. MANN, ESQ., COUNSEL, RAILWAY LABOR EXECUTIVES ASSOCIATION

Senator ANDREWS. Our next witness is one of the deans of the labor movement on Capitol Hill, the most respected Director for Legislation of any union in this country, Jim Snyder of the United Transportation Union. It is nice to have you before our subcommittee.

Mr. SNYDER. Thank you, Mr. Chairman. Good morning to you and Mr. Hardin and other members of the staff. I appreciate this opportunity. We have a complete statement that we would like inserted in the record.

At the request of the committee, I will briefly outline two points that we are interested in on the appropriation:

First of all, I am wearing two hats today, as the National Legislative Director for the United Transportation Union, as well as the Chairman of the Railway Labor Executives Association Safety Committee.

Senator ANDREWS. Jim, you can probably wear four or five and do justice to all of them.

Mr. SNYDER. I appreciate that, Mr. Chairman.

I have with me Mr. Larry Mann, who is counsel for the Railway Labor Executive Association.

We know this is a year of restraint in the budget. There is an $11 million reduction in the safety operation of FRA. We have reservations about that much cutback; however, there have been improvements in FRA. The railroads have improved their safety record and this is something that we have been working at for several years, along with the railroads and along with FRA. However, we do need—we think, and I want to compliment the FRA for requesting before your committee—funding for 20 inspectors, along with four clerical positions.

While this will just bring our work force of inspectors in the FRA up to the present level, these are vacancies that have occurred over the years by attrition, Mr. Chairman. It does not increase the number of inspectors that have been authorized by the Congress or have been requested by FRA over the years.

Again, I say we realize the restraint in funding. We do have some suggestions.

We support the administration on the 20 inspectors and four clerical spots.

We would like for the committee to earmark the travel allowance for not only these inspectors but also for other inspectors—that has caused us problems over the years. We support a travel allowance of 20 days per month, so that they get out there. All of them have very large territories. There is no way that they can really do a top-notch job with the reductions that we have had over the years in the work force.

For example, we still are having some problems. While we have had improvements, for example, 30 percent of the locomotives inspected are found defective; 6 percent of the car fleet that has been inspected is found defective. We want to make some improvements in these areas and for that we need more inspectors.

Now, Mr. Blanchette is recommending that they attempt to sell to a private railroad a research center in Colorado. It is costing the Federal Government approximately $7 million to operate that. If this takes place, we would suggest to the committee that part of those funds be directed to beefing up the inspection force somewhat if it can be done.

On the other subject, Amtrak, we have always been one of the top supporters of Amtrak, Mr. Chairman. In the past we have appreciated your efforts and those of your staff people to have what has always been our position and policy in this country—a good transportation system—and that includes the passenger system.

We support the full funding authorization that was passed. Last year it was $788 million. Amtrak needs this. One of the major problems of Amtrak is because each year they come up before the Congress on appropriations and they cannot really make long-range plans. We would support this.

Also, there is one other provision in there that OMB has recommended, that employee protection be changed through appropriation. For the last 10 years since the act was passed, it has been incorporated in there; it was wholeheartedly supported by the Congress. The protection has been supported by everyone else since then. It is in existing law. This has worked really well.

With reduced funding, it will make an impact. We don't believe in legislating through the budget route. They are making a recommendation that they change 405, similar to what was in the Conrail Act. This is an entirely different ballgame than what we had under the Conrail Act. This is very important to labor.

To my knowledge, neither the FRA nor Amtrak has suggested any change in this because we don't think it should be changed, because it is working well. We appreciate that and we appreciate your support on these, Mr. Chairman.

Senator ANDREWS. Thank you very much, Jim, for an excellent statement. We always appreciate the insight you give this subcommittee. You did a great job. Nice to have you here.

Mr. SNYDER. Thank you, and thank you for the privilege of coming before the committee.

[The statement follows:]

STATEMENT OF J. R. SNYDER

RAILWAY LABOR EXECUTIVES ASSOCIATION

My name is J. R. Snyder. I am the National Legislative Director of the United Transportation Union. I am appearing today as Chairman of the Safety Committee of the Railway Labor Executives Association. Accompanying me are Lawrence M. Mann and William G. Mahoney, attorneys for RLEA in this matter. The RLEA represents 100 percent of the railroad workers in this country, and the names of the constituent organizations are as follows:

American Railway Supervisors Assn.
American Train Dispatchers Assn.
Brotherhood of Locomotive Engineers
Brotherhood of Maintenance of Way Employes
Brotherhood of Railroad Signalmen
Brotherhood Railway Carmen of the United States and Canada
Brotherhood of Railway, Airline and Steamship Clerks, Freight Handlers, Express and Station Employees
Hotel & Restaurant Employes & Bartenders Int'l. Union
Int'l. Assn. of Machinists and Aerospace Workers
Int'l. Brotherhood of Boilermakers and Blacksmiths
Int'l. Brotherhood of Firemen & Oilers
Int'l. Longshoremen's Association
Int'l. Org. of Masters, Mates & Pilots of America
National Marine Engineers' Beneficial Assn.
Railroad Yardmasters of America
Railway Employes Dept., AFL-CIO
Sheet Metal Workers' Int'l. Assn.
Seafarers Int'l. Union of North America
Transport Workers Union of America
United Transportation Union

As in past years the railway labor organizations appreciate the opportunity to provide your Committee with our analysis of the rail safety situation. A number of matters have occurred since we last testified before you on rail safety. In the Federal Railroad Safety Authorization Act of 1980 Congress required the Secretary to submit to you a System Safety Plan. Such plan has now been presented to Congress, even though it was a year later than required by

law. The System Safety Plan represents a significant backward step in reducing accidents and injuries. The FRA is embarking on a plan whereby violations discovered by the FRA inspectors will not be subject to citations and penalties as required by all of the railroad safety laws. Rather, the FRA will now permit a defect to exist until such time as the railroad has the opportunity to correct it. Only if the defect is not corrected within a reasonable time, will the FRA impose a penalty. Obviously, the carriers no longer have an incentive to comply with the regulations. They can now simply wait until a FRA inspector happens to discover a defect, and then make the necessary repair. If this continues over an extended period of time, the safety on American railroads will be in the same state of disrepair as when the Federal Railroad Safety Act of 1970 was passed. There have been significant safety improvements since the passage of that Act, and Congress should not permit the FRA to nullify everything that you sought to accomplish by the passage of the 1970 law.

One other part of the System Safety Plan deserves comment. The FRA attributes accidents due to human error as being responsible for more fatalities than accidents caused by either track or equipment defects. We take issue with the underlying data from which this conclusion was reached. As you may know, the railroads are the sole source of determining the cause of every accident. The FRA simply takes the statistics provided by the railroad industry and compiles the data in annual Accident/Incident Bulletins. We feel that the employee who is involved in an accident should be allowed to submit this view as to why the accident occurred. Our review of many accidents which are attributable to human error indicates that the failure of the railroads to adopt certain safety requirements or practices are the real cause.

Moreover, the railroads' failure to comply with existing standards and regulations also are the causes of many accidents which the railroads blame on human error. If the blame for an accident is going to be placed on the worker, then he should have an opportunity to provide input to the FRA when the data is analyzed.

Another disturbing aspect of the System Safety Plan is that FRA intends to review its safety regulations based on a cost/benefit analysis. As you can well appreciate, it is impossible to place a value on a man's life. No one can quantify how many lives will be saved or how many injuries will be prevented by the adoption of a specific regulation. The real question is based on public policy to protect the public from an unsafe environment.

While in any given year the statistics may show an aberration, the totals based on a six year compilation may be more informative to the Committee. The data for the years 1975 through 1980 demonstrates that too many persons are unnecessarily killed or injured on the nation's railroads. During those years, FRA records reveal that 9,313 persons died and 396,415 individuals were injured on the railroads from all causes. In this same period there were 62,325 rail equipment accidents, 8,385 collisions and 48,369 reportable derailments. To place the figures in perspective, the accidents in this period averaged about 30 per day. There were approximately four collisions per day and 22 derailments per day. Excluding damages for personal injuries, the cost to the railroads for such accidents totaled over $1.5 billion for damages to track and equipment. These levels are not acceptable, and hopefully 1982 will continue the downward trend of 1981.

Based upon preliminary statistics it appears that in-

juries, deaths and accidents were lower in 1981 than in 1980. However, we feel that the rate of injury still is too high. There has never been a year when less than 45,000 employees were injured. This is 10% of the total work force injured each year. If the non-operating employees are excluded, the percentage would be approximately doubled.

We had hoped to provide you with statistical data of the Federal safety inspector activities for 1981. However, we are advised by the FRA that such data is not available. We have been provided with some preliminary statistics, and based upon those figures the percentage of defective locomotive units exceed 30% whereas the percentage of defective cars is 6%. It is obvious that more attention must be given to the locomotives in order to reduce the number of defects which exist on the nation's fleet. An interesting observation in the statistical compilations is that while the state inspectors found 9.5% of the cars to be defective, the percentages of federal inspectors only totaled 6%.

Now we direct your attention to fines collected in the enforcement activities of the FRA during the last few years. In Fiscal Year 1981 the FRA collected a total of $1,329,697 in civil penalties, in contrast with the $15 million that was collected during the prior fiscal year and $7.5 million which was collected in 1979. We find such lack of uniformity in enforcement appalling. Certainly the railroads have not improved their safety performances as would be indicated by the amount of fines collected. Therefore, the only valid conclusion is that the FRA has de-emphasized the importance of imposing fines for violations discovered by its inspectors.

On April 19, 1982 the Comptroller General submitted to

Congress a Report entitled "The Federal Approach to Rail Safety Inspection and Enforcement: Time For Change". The Report at pages 25-31 focuses on reasons why the civil penalties have not been an effective deterrent to violations. In summary it states:

> FRA's safety program needs the civil penalty enforcement tool. The effectiveness of the civil penalty, however, is being adversely affected by the length of time taken to process violation reports and the lack of feedback given on violations' status to all offices involved in the system. Further, both FRA headquarters and regional office management lack the necessary controls to assure that proper disposition is made of all violations. These problems might be diminished, but not eliminated, by FRA shifting its efforts to more broad-based system assessments.

At the present time it takes 20 months on the average to settle a violation. Obviously this eliminates any effective deterrent impact.

We are concerned that the FRA has not issued a final rule with respect to retrofitting 105 type tank cars which carry explosive materials such as liquid propane gas. As pointed out in the 1980 Senate Report on FRA's authorization, the National Transportation Safety Board has repeatedly recommended the retrofitting of 105 tank cars, and the FRA stated to Congress that a final rule would be forthcoming soon thereafter. To date no final rule has been promulgated. We urge your Committee to exert its influence with FRA to finalize its deliberations on this very dangerous condition which exists throughout the United States.

In 1975 Congress required that whenever the National Transportation Safety Board submits a recommendation regarding safety to the Secretary, he must respond to each recommendation in writing within 90 days. (49 U.S.C. § 1906). We have learned that the Secretary is generally

disregarding the statutory mandate and has responded only to some of the NTSB rail safety recommendations. The Chairperson of the NTSB testifying in the Senate on April 13, 1982 on FRA's Senate authorization proposal stated that the FRA was the worst agency in responding to the Board's safety recommendations.

When the FRA was before you two years ago it pointed out how effective the automatic track inspection program has been. We have learned that this program is being deleted by FRA and the track inspection cars (each of which cost approximately $3,000,000) will be given to one of the railroads for its personal use. This leaves FRA with no effective track inspection capability. The FRA inspector, by walking, can cover only a fraction of the distance that the track vehicle can cover.

Another disturbing issue is the manner in which FRA is treating its safety inspectors. In January, 1981, FRA's Chief Counsel informed the inspectors that any leave of absence and/or seniority rights they held with their former railroad employer results in or creates the appearance of a conflict of interest. The affected inspectors presented their views as to whether the finding was appropriate. Finally on February 11, 1982 the new chief counsel granted the inspectors a waiver. Now, all of a sudden the Chief Counsel on March 26, 1982 revoked all of the waivers. If it were not so serious, this would be comical. The above actions by FRA were taken despite the statement of the Chairman of this Committee on October 1, 1980 in the Congressional Record explaining why Congress then did not enact legislation to protect the seniority rights. It was not enacted because of the understanding that the Federal agencies involved would continue to maintain the status quo and not

take administrative action requiring the safety inspectors to relinquish their seniority rights. I am sad to say the ball is back in your arena.

There is no conflict of interest in these cases because the railroad must give the inspector a job if he wants to return to the railroad. There are no reasons or inducements for an inspector to be more lenient toward former railroad employers. If, in fact, such a specific conflict should arise, only then should an inspector be forced to give up his or her seniority rights earned through collective bargaining.

Despite all the above we are pleased to inform you that there are some hopeful signs in rail safety. A new atmosphere of cooperation has been exhibited between the railway brotherhoods and the Association of American Railroads. After extensive discussions with the AAR, we have agreed to certain modifications in the track safety standards and in § 13 of the Safety Appliance Acts. In addition, an agreement with respect to the signal rules and the power brake rules may be imminent. All of these negotiations were made in good faith and with some assistance of the Federal Railroad Administration. The Administrator has directed his attention to this important breakthrough in dealing with safety problems. The interest shown by the Administrator in supporting whatever agreement that is reached between rail labor and the AAR is appreciated. Rail labor is satisfied that the agreed to changes will strengthen safety enforcement and will reduce accidents, injuries and deaths on our nation's railroads. In addition, this new cooperative approach could be the basis for further improvements in rail safety.

I would now like to address the proposed Administration Bill for request for Appropriations for Fiscal Year 1983.

The Administration proposal seeks only $29.3 million for FY 83. We recognize this is an increase over the 1982 level and we endorse any increase in funding for safety. However, we feel there is a critical need for many more safety inspectors to enforce the safety laws. As of March 1, 1982 the FRA had on board 269 safety inspectors classified as follows: 97 motive power and equipment, 45 operating practices, 72 track, 29 signal and train control, and 26 hazardous materials. In addition there were 47 supervisors in the field, which is one for every five safety inspectors. With that staff FRA is required to inspect approximately 300,000 miles of track, 28,000 locomotives, 1.7 million freight cars and 125,000 miles of signal systems. In the digest of the April 19, 1982 Comptroller General's Report it is pointed out that:

> Nearly one-half the Federal inspectors are generally unable or never able to cover their territories. Some inspectors believed it would take them 3 to 5 years to cover their territories, and others acknowledged that some major facilities and inspection points had not been inspected by Railroad Administration inspectors in years. (See p. 7)
>
> Factors contributing to the inspectors' inability to cover their territories include:
>
> --Lack of consistency in the size of inspectors' territories.
>
> --Vacant inspector positions.
>
> --Unreliable railroad inspection records.

RLEA is concerned by the fact that FRA has failed to fill twenty positions for safety inspectors even though it has money appropriated to hire these inspectors. Of course this is not a new problem within FRA, but this is the highest number of vacancies that have existed at FRA for many years. It is an almost overwhelming job to accomplish with the relatively few numbers of safety inspectors on board. In the Washington Office of Safety

there were 62 employees on board. Between the supervisors and the Washington personnel, there may be too many chiefs and not enough Indians to properly administer the rail safety program.

In recognition of the magnitude of the task and the increase in the number of accidents and injuries, the Congress in successive years has authorized over 600 safety inspectors for FRA. The House Committee on Energy and Commerce, where these authorizations originated, has followed the rail safety situation and FRA's performance closely over the years. That Committee has repeatedly emphasized the need for more inspectors. The House Report on the Federal Railroad Safety Authorization Act of 1978 (H. R. Rep. No. 95-1176, 95th Cong., 1st. Sess. 7 (1978) pointed out that FRA has employed far fewer inspectors than the number authorized and reiterated a comment it made in its report on the Federal Railroad Safety Authorization Act of 1976:

> With responsibility for conducting inspection activities for well over 300,000 [sic] miles of track, over one million freight cars and thousands of locomotives and passenger cars, it is obvious to the Committee that FRA should request adequate funds and hire a sufficient number of federal inspectors to carry out that responsibility.

Nine members of the Committee went even further and submitted their "Separate Views on FRA's Lack of Attention To Railroad SAfety". The nine members stated that

> one of the most disturbing aspects of the problem is that FRA has failed even to try to hire the number of inspectors authorized by Congress despite its own acknowledgement that enforcement by existing safety standards would eliminate a majority of the railroad accidents which occur each year.

Your committee has consistently provided for some increases in the numbers of inspectors. Rail labor appreciates your interest and recognizes the practical budget lim-

itations facing you. However, we believe that appropriations for all authorized positions are essential if FRA is to have the ability to eliminate the causes of rail accidents by enforcing its regulations systematically and thoroughly. Appropriating funds for fewer than 600 inspectors would be an inadequate response to the railroad safety problem. An appropriation for these federal inspectors will be cost effective. It would reduce the high property damage figure, and, more importantly, would help eliminate the high costs and human suffering attributable to the many injuries and deaths which are occurring on the railroads. Based on an average salary of $30,500 a year and an average cost of $15,600 a year for travel to remote locations which must be inspected, the total cost for only an additional 50 inspectors would be $2.3 million. 1/ This figure is insignificant compared with the millions attributable to property damage from rail equipment accidents.

Rail labor again this year urges your Subcommittee to recommend earmarking specific funds to provide 20 days each month for travel for each inspector employed by FRA. The essence of the inspector's function is to travel to the location where railroads are operated and inspect these locations. Every year, as long as we can recall, the travel money for safety inspectors has been depleted prematurely. FRA never seeks an adequate amount. The per diem costs have risen, the car travel expenses have increased, and the

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1/ The $30,500 per year salary represents an approximate average of compensation based on 1981 figures paid to FRA field inspectors. The $15,600 per year for travel expenses is calculated by assuming 20 days of travel per month at a per diem rate of $50 per day and $300 per month for automobile mileage allowance. Thus, the total cost for one inspector for one year is $46,100. FRA could add the additional 50 inspectors without incurring substantial cost for added office space, etc., as such facilities are already available.

areas required to be inspected have expanded. Yet the allocation within the FRA budget for this cost is the same as last year ($1.8 million).

We observe that the administration does not seek funding to assist the states in administering the rail safety laws. Apparently the FRA is no longer committed to achieving the cooperation between the State and Federal enforcement of rail safety which was contemplated by Congress when the Safety Act was passed in 1970. We recognize that the State program has not worked as effectively as we originally anticipated. However, there is a substantial nucleus of States involved actively in enforcing the safety laws, and they should not be deprived of this important function simply because administration policy makers do not want States involved in railroad safety. Moreover, it should be kept in mind that each dollar of federal funding to states buys two dollars worth of enforcement.

In the Federal Railroad Safety Authorization Act of 1980 Congress authorized $500,000 to study alcohol and drug abuse problems on the nation's railroads. The funds were not appropriated by your Committee. In view of the statement by the FRA attributing many accidents to employee error, we feel it is important to determine the extent to which accidents, injuries, tardiness, absenteeism, etc. are caused by drug and alcohol problems. Therefore, we again urge your approval of such funds to study alcohol and drug abuse in the railroad industry.

AMTRAK

The subject of Amtrak funding is one which annually presents to the Congress the struggle between those who would strip this nation of rail passenger service and those who recognize that a national rail passenger system is a

national resource which this nation cannot afford to scrap.

It is now conceded by virtually everyone that a rail passenger service is the most fuel efficient, least fuel intensive mode of travel. It is now also apparent to any objective observer that Amtrak continues to improve its service despite the avowed opposition of the Administration to its very existence.

The OMB would cut Amtrak's budget to $600 million. This would include $545 million for operations and $45 million for both labor protection and capital grants.

OMB specifically has in mind the objective of changing what in its hardly "expert" view are "inefficient work rules"; or, says OMB, Amtrak can "reduce salaries" or "increase productivity." Here we are confronted with yet another example of an OMB attempt to rewrite substantive law-- the Railway Labor Act-- by the budgetary process to achieve its monetary objectives. In our view, this is an attempt to grossly misuse the legislative process.

To cut Amtrak from its relatively modes needs of $788 to $600 million obviously would cause numerous employee layoffs; such layoffs would trigger the employee protective provisions of Section 405 of the Rail Passenger Service Act of 1970 at the monetary levels required by those provisions. Since 1970, Congress many times through amendment has added, deleted, or modified provisions of the Rail Passenger Service Act. It has never amended or been called upon to amend Section 405.

OMB's simple solution to the employee protection costs resulting from the OMB-caused cutbacks in Amtrak's service is to ignore the present law and to pay Amtrak employees the amounts another statute (passed after hearings in both Houses of the Congress) pays other employees of another railroad

in different circumstances. OMB would have Amtrak and the Congress ignore the requirements of Section 405 and protect affected Amtrak employees only to the extent that OMB thinks they should be protected. Just as OMB would rewrite the Railway Labor Act by the vehicle of cutting appropriations, so here it would alter the provisions of Section 405 in the same manner. Rail labor respectfully but most vigorously protests this cynical abuse of our legislative process.

Amtrak, which is improving its performances and its service to this nation each day it exists, should be provided the minimum assistance it requires to continue. We respectfully request that an appropriation of $788 million be afforded Amtrak.

In conclusion, we urge you to continue providing support to a strong safety program at FRA and for a viable passenger rail system.

National Taxpayers Union

STATEMENT OF LEN RIPPA, EXECUTIVE DIRECTOR, TRANSPORTATION POLICY COMMITTEE

Senator Andrews. Our next witness is Mr. Len Rippa, Executive Director of the Transportation Policy Committee of the National Taxpayers Union.

Mr. Rippa, welcome to the subcommittee.

Mr. Rippa. Thank you very much, sir.

Mr. Chairman, it is always a pleasure to have the opportunity to testify on behalf of the National Taxpayers Union. I might start out by summarizing my remarks, since my statement is a little bit long.

I believe from the testimony you have heard this morning it might be a little bit more controversial.

Senator Andrews. You may be assured your statement will appear in the record in its entirety.

Mr. Rippa. Thank you, sir.

Quite frankly, over the years it has been difficult to understand the congressional rationale concerning transportation in America. The Federal Government has been intruding into segments of the transportation marketplace, which we feel has distorted the competitive leveling forces that will bring the best price to the taxpayer/consumer. We are concerned that this trend will go on unchecked regardless of the current

administration's policy to get Government out of the business of subsidizing, price supporting, or bailing out businesses.

The example of the creation of Conrail from the bankrupt railroads in the Northeast is simply an attempt by Congress years ago to turn back the clock; it didn't work. Taxpayers are $5 billion poorer, with a whole lot more to come before this episode is finished. After almost 10 years, most agree that a return to the private sector is the answer, but just when and how and how much it will cost to buy off labor is still yet unanswered.

Similarly, Congress gave birth to Amtrak a decade ago when the freight railroads could no longer afford to cross-subsidize this dying industry without being pulled under themselves.

Here we are, $8 billion later, with ridership declining. I just reviewed the ridership report. It fell off by 609,000 passengers, compared with 1980.

The same argument is being repeated again: Can Amtrak survive on only $600 million or, as threatened, will this only be service in the Northeast corridor? If this is true, then I think the taxpayers have been paying far too much to accommodate a handful of rail buffs and thousands of business people who go by train in the Northeast.

The concept of Government-financed emerging corridors has been an ongoing debate for several years, as you well know. In spite of reports that gasoline will have to go up $7 a gallon before corridors would be energy efficient, obviously the issue survives.

However, there is a bright spot with a little cloud over it, that Amtrak's current effort for more private sector development of high speed corridors is a step in the right direction. We question the viability of attracting $2 billion in venture capital under the banner of the newly formed American High Speed Rail Corporation. If this kind of private capital can be attracted, we certainly applaud the initiative.

We feel a few questions ought to be answered before this goes any further.

Given that the management of the High Speed Rail Corporation and public officials of Amtrak are one and the same, does not the question of conflict of interest appear imminent, if not already breached?

Since Amtrak is seriously in deficit, was it a good business decision by Amtrak to loan the High Speed Rail Corporation $750,000 at below market value interest rates, even though they stipulated no federally appropriated funds will be used for this loan?

It appears to be more a matter of creative bookkeeping since the taxpayers' share of Amtrak outweighs the fair book's share.

Since creation of the corporation is for profit, the attraction of venture capital must be predicated on a successful enterprise. According to Mr. Boyd, chairman of the new corporation, in testimony before your committee, Mr. Chairman, he said market studies gave this assurance. I certainly don't wish to impugn the motives and integrity of any of the public officials of Amtrak, but I think we ought to know just what are the future plans of the present Amtrak officials if this ventures succeeds. What conflicting time pressures will be imposed on the manage-

ment of Amtrak while engaged in attracting venture capital? In other words, who will be minding the taxpayers' store at Amtrak if the key officials are busy promoting the new corporation?

I think the last question, since Amtrak is already operating service between Los Angeles and San Diego, which is currently at a loss, is it not improper for Amtrak to create a private operation in competition with one of Amtrak's potentially most viable routes? If the venture goes forward, then the Department of Transportation and Amtrak should stipulate to the Congress that no subsidies or loan guarantees will be granted to the High Speed Rail Corporation in the future to protect the taxpayers and future Congresses and administrations.

Briefly, let me just turn to the problem on urban mass transit.

Millions of dollars go into the operation of the transit buses and commuter trains. We don't necessarily disagree with the capital improvements. We disagree with the operating subsidies. We understand the Secretary of Transportation is attempting to get rid of these as soon as possible. We feel new and innovative methods must be found, and recently a single-beam system was called to my attention and it is an in-depth study that is conducted by Boris Pushkarev in "Urban Rail of America," which says this may be the answer.

We would certainly encourage private enterprise to take the initiative on the very serious problem of expanding urban mass transit in our cities. I certainly hope this and other innovative proposals within the private sector will be encouraged.

Finally, we all agree that business as usual is certainly no longer an option.

That concludes my remarks. I will be happy to answer any questions.

Senator Andrews. Thank you very much for a very innovative statement.

Certainly, we all want to do what we can to stimulate private sector involvement. You have made a good case for it. We appreciate your coming before the subcommittee.

[The statement follows:]

STATEMENT OF LEN RIPPA

EXECUTIVE DIRECTOR

TRANSPORATION POLICY COMMITTEE

NATIONAL TAXPAYERS UNION

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE. I AM PLEASED TO BE HERE TO TESTIFY ON BEHALF OF THE NATIONAL TAXPAYERS UNION, A NATIONAL NON-PROFIT, NON-PARTISAN PUBLIC INTEREST ORGANIZATION.

NTU IS DEDICATED TO THE FOLLOWING GOALS:

- AN AMERICA WHERE FREE PEOPLE CAN WORK TOGETHER TO BUILD A BETTER LIFE
- AN HONEST ACCOUNTING OF GOVERNMENT FINANCES
- A REDUCTION OF GOVERNMENT WASTE, SPENDING, BUREAUCRACY, AND REGULATION
- LOWER TAXES FOR EVERYONE
- A CONSTITUTIONAL AMENDMENT WHICH OUTLAWS INFLATIONARY DEFICIT SPENDING AND REDUCES THE TAX BURDEN

SINCE 1969, WE HAVE BEEN LOBBYING ON BEHALF OF THE TAXPAYER TO ACHIEVE THESE GOALS. PROGRESS HAS BEEN SLOW. VICTORIES FOR THE TAXPAYER HAVE BEEN FEW AND FAR BETWEEN. THE DIRECT FEDERAL DEFICIT HAS GROWN INCREDIBLY FAST THE PAST FEW YEARS, EXCEEDING ONE TRILLION DOLLARS. I BELIEVE WE ALL AGREE THAT A MAJOR SHARE OF THIS HUGE DEFICIT HAS BEEN CAUSED BY BILLIONS OF TAXPAYER DOLLARS BEING MISMANAGED OR MISSPENT.

IT HAS BEEN INCREASINGLY MORE DIFFICULT FOR THE NATIONAL TAXPAYERS UNION AND ITS 450 THOUSAND FAMILY MEMBERS TO UNDERSTAND THE CONGRESSIONAL RATIONALE CONCERNING TRANSPORATION IN AMERICA. FAR TOO LONG, MR. CHAIRMAN, HAVE THE TAXPAYERS BEEN SUBJECTED TO INCONSISTENT AND OFT TIMES DISRUPTIVE POLICIES WORKING AS DISINCENTIVES TO THE DEVELOPMENT OF SOUND, EFFECTIVE TRANSPORTATION MODES WITHIN THE FREE ENTERPRISE SYSTEM. FAR TOO LONG, MR. CHAIRMAN, HAS THE FEDERAL GOVERNMENT INTRUDED INTO SEGMENTS OF INDUSTRY SUCH AS THE TRANSPORTATION MARKETPLACE, DISTORTING THE COMPETITIVE LEVELING FORCES UPON WHICH THIS GREAT COUNTRY WAS BUILT.

THERE IS GENERAL AGREEMENT AMONG MOST TRANSPORTATION SPECIALISTS THAT THE MARKET-PLACE MORE THAN ANY OTHER FORCE SHOULD DETERMINE TRANSPORTATION REQUIREMENTS. THE COST OF TRANSPORTATION IN A FREE MARKET ECONOMY, GIVES THE CLEAREST SIGNAL TO THE VARIOUS MODES HOW RESOURCES SHOULD BE ALLOCATED.

ARTIFICALLY MANIPULATING THE MARKETPLACE DISTORTS THIS SIGNAL CAUSING FALSE INTERPRETATIONS OF MARKET DEMAND, CREATING LESS AND LESS ALLOCATIONAL EFFICIENCY. WHENEVER WE SUBSIDIZE A SERVICE, WE INFLUENCE CONSUMER PATTERNS OF USE.

THE CREATION OF CONRAIL IN 1973 AS AN ALTERNATIVE TO DISSOLUTION OF THE BANKRUPT

CARRIERS WAS AN ATTEMPT BY THE CONGRESS TO TURN BACK THE CLOCK. THE REDUCTION IN INDUSTRIAL VOLUME IN THE NORTHEAST, THE SHIFT AWAY FROM RAIL-RELIANT INDUSTRIES TOWARD SERVICE INDUSTRIES AND LIGHT MANUFACTURING CAUSED THE DECLINE THAT LED TO THE DEMISE OF THE BANKRUPT PENN CENTRAL AND OTHER CONRAIL PREDECESSOR RAILROADS. IN SHORT, THERE SIMPLY WAS TOO MUCH RAILROAD FOR TOO LITTLE BUSINESS. OVER $5 BILLION TAXPAYER DOLLARS LATER, A RETURN TO THE PRIVATE SECTOR, ABSENT RIDICULOUS LABOR PROTECTION RULES, MAY SALVAGE A LARGE PART OF THE CONRAIL SYSTEM. HOWEVER, INCREASED RAIL FREIGHT CHARGES CAUSED BY THE ABSENCE OF ENORMOUS SUBSIDIES COULD CAUSE TRAFFIC SHIFTS TO COMPETING MODES. OF COURSE, IF SUBSTITUTE CARRIERS ARE AVAILABLE TO HAUL TRAFFIC AT REMUNERATIVE RATES, THEN THEY SHOULD HANDLE THE COMMERCE. WE CERTAINLY DON'T SEE ANYTHING ONEROUS ABOUT THIS. IF OTHER RAILROADS, TRUCKERS, WATERWAY OPERATORS CAN DO THE JOB WITHOUT SUBSIDIES THEN THIS IS WHAT A FREE MARKET ECONOMY IS ALL ABOUT.

THE FLIP SIDE OF THE COIN REVEALS A SIMILIAR PATTERN OF MARGINAL IMPROVEMENTS IN QUALITY AT A HUGH COST TO THE TAXPAYER.

A DECADE AGO, THE CONGRESS GAVE BIRTH TO AMTRAK AND EARLY ON LEARNED THEY HAD AN EXPENSIVE BABY TO RAISE. JUST HOW EXPENSIVE BECAME MORE OBVIOUS AS THE ANNUAL SUBSIDIES WERE DOLED OUT IN EVER-INCREASING AMOUNTS, REACHING 7.8 BILLION DOLLARS THROUGH 1981.

LOOKING BACK TO 1970, THE CONGRESS PROBABLY HAD LITTLE CHOICE BUT TO CREATE AMTRAK. PROVIDING OPERATING AND CAPITAL ASSISTANCE TO FREIGHT RAILROADS TO CONTINUE PASSENGER SERVICE WAS INCONGRUOUS WITH THE OBVIOUS MARKET DEMAND DECLINE EXPERIENCED BY ALL RAILROADS. TO PUT THE DECLINE IN PROPER PERSPECTIVE, IT SHOULD BE NOTED THAT OVER THE PERIOD FROM 1920 TO 1971, TOTAL INTERCITY TRAVEL GREW TENFOLD REACHING 1.2 TRILLION PASSENGER MILES ANNUALLY BY 1971. THE RAILROAD'S SHARE OF THIS MARKET SHRANK FROM 80 PERCENT JUST BEFORE WORLD WAR I TO JUST 0.4 PERCENT IN 1971. CLEARLY, INTERCITY RAIL PASSENGER SERVICES WERE NO LONGER AN IMPORTANT FIXTURE ON THE AMERICAN TRANSPORTATION SCENE. NOT WANTING TO NATIONALIZE PASSENGER TRAIN SERVICE, THE CONGRESS POLITICALLY HAD LITTLE SUPPORT FOR ALLOWING THIS SERVICE TO DISAPPEAR COMPLETELY. THE COMPROMISE SOLUTION BETWEEN THE EXTREMES OF NATIONALIZATION AND ELIMINATION -- A QUASI-PUBLIC CORPORATION FORMED TO OPERATE A SCALED DOWN BASIC NATIONAL SYSTEM WAS CREATED. GIVEN THIS, IT WAS NOT UNREASONABLE NOR APPARENTLY EXCESSIVE TO APPROPRIATE $40 MILLION DOLLARS FOR OPERATIONS AND $100 MILLION DOLLARS IN LOAN GUARANTEES BACK IN 1971.

THE EXPERIMENT WAS SHORTLIVED. BEGINNING IN 1972, CONGRESS BEGAN TO REWRITE THE AMTRAK LEGISLATION. IT BECAME INCREASINGLY MORE DIFFICULT TO SAY NO. IT VERY SOON BECAME APPARENT THAT AMTRAK WAS NOT TO SIMPLY TEST THE MARKET; IT WAS TO REVITALIZE THE MARKET. ANNUAL AUTHORIZATIONS GREW AS DEFICITS MOUNTED.

BY THE END OF THE 1970S, IT WAS CLEAR TO ALL BUT THE MOST DEDICATED RAIL BUFFS THAT THE DAY OF THE LONG DISTANCE PASSENGER TRAIN WAS OVER. ATTENTION WAS NOW FOCUSED ON THE COMPLETION OF THE NORTHEAST CORRIDOR. POLITICALLY, IT BECAME VERY PRECARIOUS TO CONCENTRATE ONLY ON THE ONE ROUTE WHERE INTERCITY PASSENGER TRAIN TRAVEL MIGHT BE VIABLE: THE NORTH EAST CORRIDOR (NEC).

A SERIES OF STUDIES (DIRECTED BY THE CONGRESS) EXPLORED THE FEASIBILITY OF DEVELOPING OTHER HIGH SPEED CORRIDORS AROUND THE COUNTRY, PATTERNED AFTER THE NEC.

THE FINAL REPORT ISSUED LAST YEAR CONCLUDED THAT ENERGY SAVINGS COULD NOT JUSTIFY CORRIDOR DEVELOPMENT, NOR WAS THE RIDERSHIP DEMAND SUFFICIENT TO JUSTIFY THE HUGE COSTS PROJECTED.

YET THE DEMAND FOR EXPANDED AMTRAK SERVICE FROM SOME QUARTERS CONTINUES UNABATED. IN SPITE OF THE STUDIES, THE EVER-MOUNTING DEFICITS, AND THE FAILURE TO COVER A MEANINGFUL SHARE OF THE INTERCITY TRAVEL MARKET, AMTRAK STILL APPEARS TO ENJOY VOCAL SUPPORT.

THE ADMINISTRATION'S PROPOSED BUDGET OF 600 MILLION DOLLARS FOR FY 1983 IS BEING ATTACKED AS "TOO LITTLE". AGAIN, AS LAST YEAR, THE ARGUMENT THAT A PALTRY 600 MILLION DOLLARS WILL ONLY ALLOW OPERATIONS IN THE NORTHEAST CORRIDOR. IF THIS WERE TRUE, THEN WE, THE TAXPAYERS, ARE PAYING FOR FAR TOO MUCH TO ACCOMMODATE A HANDFUL OF RAILBUFFS AND THOUSANDS OF BUSINESS PEOPLE ELECTING TO TRAVEL BY TRAIN.

MR. CHAIRMAN, AMTRAK DOES NOT PRODUCE BENEFITS SUFFICIENT TO JUSTIFY BILLIONS MORE IN ADDITIONAL SUBSIDY IN YEARS TO COME - NOR DOES IT APPEAR IT EVER WILL.

AMTRAK'S CURRENT EFFORTS TO PROMOTE PRIVATE SECTOR DEVELOPMENT OF HIGH SPEED RAIL SERVICE IN HIGH DENSITY CORRIDORS SUCH AS THE LA-SAN DIEGO ROUTE IS COMMENDABLE. MOST EXPERTS, INCLUDING SECRETARY OF TRANSPORTATION LEWIS, AGREE THAT AMTRAK CAN SURVIVE DESPITE ITS BUDGETARY PROBLEMS, BUT NOT WITH ITS CURRENT CROSS COUNTRY ROUTES. IT MUST BE TRIMMED TO SERVE ONLY DENSLY POPULATED CORRIDORS, AND THE MARKETPLACE MUST BE THE DETERMINANT, NOT SUBSIDIES.

IF PRIVATE CAPITAL CAN BE ATTRACTED TO INVEST IN THE DEVELOPMENT OF A 2 BILLION DOLLAR VENTURE UNDER THE BANNER OF THE NEWLY FORMED AMERICAN HIGH SPEED RAIL CORPORATION, THEN WE APPLAUD THIS INITIATIVE. CONVINCING THE JAPANESE TO INVEST 500 HUNDRED MILLION DOLLARS IS IMPRESSIVE.

INAUGURATION OF A HIGH SPEED INTERCITY PASSENGER TRAIN SYSTEM WHICH <u>DID NOT</u> MEET ITS EXPENSES FROM THE FARE BOX WOULD BE A GIANT STEP IN THE <u>WRONG</u> DIRECTION. WE ARE PLEASED THAT AMTRAK'S MANAGEMENT CONCURS.

HOWEVER NOBLE THE CREATION OF THE AMERICAN HIGH SPEED RAIL CORPORATION, THERE ARE SEVERAL PUZZLING ASPECTS OF THE ARRANGEMENT THAT SHOULD BE CLEARED UP AT THE EARLIEST DATE. WE BELIEVE THE TAXPAYERS DESERVE ANSWERS TO THE FOLLOWING QUESTIONS:

1. GIVEN THAT THE MANAGEMENT OF THE AHSRC AND OFFICIALS OF AMTRAK ARE ONE AND THE SAME, DOES NOT THE QUESTION OF CONFLICT OF INTEREST APPEAR IMMINENT IF NOT ALREADY BREACHED?

2. GIVEN THAT AMTRAK IS SERIOUSLY IN DEFICIT, WAS IT A GOOD BUSINESS DECISION BY AMTRAK TO LOAN THE AHSRC 750,000 DOLLARS IN SEED MONEY AT BELOW MARKET VALUE INTEREST RATES? STIPULATING THAT NO FEDERALLY APPROPRIATED FUNDS WILL BE USED FOR THIS LOAN APPEARS TO BE A MATTER OF CREATIVE BOOKKEEPING SINCE THE TAXPAYERS SHARE OF AMTRAK FAR OUTWEIGHS THE FARE BOX SHARE.

3. GIVEN THAT THE CREATION OF THE AHSRC IS FOR PROFIT, THE ATTRACTION OF VENTURE CAPITAL MUST BE PREDICATED UPON A SUCCESSFUL ENTERPRISE. IT IS REASONABLE TO ASSUME THAT THE JAPANESE INVESTORS AS WELL, MUST HAVE ASSURANCES OF SUCCESS. ACCORDING TO MR. BOYD, PRESIDENT OF AMTRAK AND CHAIRMAN OF THE BOARD OF THE AHSRC, IN TESTIMONY BEFORE YOUR COMMITTEE, MR. CHAIRMAN, MARKET STUDIES GIVE THIS ASSURANCE. NOT WISHING TO INPUGN THE MOTIVES NOR THE INTEGRITY OF ANY OF THE PUBLIC OFFICIALS OF AMTRAK/AHSRC, WHAT ARE THE FUTURE PLANS OF THE PRESENT AMTRAK OFFICIALS IF THIS VENTURE SUCCEEDS?

4. GIVEN THAT DEVELOPMENT OF A HIGH TECHNOLOGY RAIL LINE WILL BE DIFFICULT AT BEST, WHAT CONFLICTING TIME PRESSURES WILL BE IMPOSED UPON THE MANAGEMENT OF AMTRAK WHILE ENGAGED IN ATTRACTING VENTURE CAPITAL? IN OTHER WORDS, WHO WILL BE MINDING THE TAXPAYERS "STORE" AT AMTRAK WHILE THE KEY OFFICIALS ARE BUSY PROMOTING THE AHSRC?

5. GIVEN THAT AMTRAK IS ALREADY OPERATING SERVICE BETWEEN LA AND SAN DIEGO AT A LOSS, AS WELL AS OTHER PROPOSED ROUTES OF AHSRC, IS IT NOT IMPROPER TO CREATE A PRIVATE CORPORATION IN COMPETITION WITH ONE OF AMTRAKS PROTENTIALLY MOST VIABLE ROUTES?

WE ARE FULLY AWARE THAT THE BOARD OF AMTRAK APPROVED THE 750,000 DOLLAR LOAN TO AHSRC, WHICH IN EFFECT GAVE THE STAMP OF APPROVAL TO THE CORPORATION.

HOWEVER, I NOW BELIEVE IT IS IMPORTANT THAT THE DOT AND AMTRAK INITIATE AND THE CONGRESS CONCURS THAT AT NO FUTURE DATE WILL SUBSIDIES OF ANY KIND, INCLUDING WITHOUT COMPENSATION TRANSFER OF FEDERALLY OWNED PROPERTY, BE GRANTED TO THE AHSRC. EQUALLY AS IMPORTANT, LOAN GUARANTEES SHOULD BE EXCLUDED AS A CONSIDERATION NOW OR IN THE FUTURE. ONLY WITH STRINGENT REQUIREMENTS OF THIS NATURE CAN THE TAXPAYER HAVE ANY CHANCE OF PROTECTION. SUCCESSOR CONGRESSES AND OF COURSE ADMINISTRATIONS MUST ALSO BE ARMED AGAINST RAIDS ON THE TREASURY.

TURNING FOR A MOMENT TO THE PROBLEM OF URBAN MASS TRANSIT, MR. CHAIRMAN, IT IS EXTREMELY NECESSARY THAT WE KEEP THE APPLES AND THE ORANGES, SEPARATED. THERE MAY BE SOME SOCIAL JUSTIFICATION FOR GOVERNMENT INVOLVEMENT IN URBAN MASS TRANSIT, WHERE NONE EXISTS IN INTERCITY TRANSPORTATION.

AT PRESENT THERE ARE MANY BILLIONS OF DOLLARS PER YEAR GOING INTO SUBSIDIZING THE OPERATIONS OF TRANSIT BUSES AND COMMUTER TRAINS. THE CURRENT ADMINISTRATION POLICY IS

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TO PHASE OUT AS SOON AS POSSIBLE THESE KINDS OF OPERATING FEDERAL SUBSIDIES. HOWEVER, THERE WILL BE A CONTINUING DEMAND FOR CONSTRUCTION OF RAIL SYSTEMS LIKE THE METRO SYSTEM HERE IN WASHINGTON AND THE LIGHT RAIL SYSTEM IN BUFFALO. THIS DEMAND IS CURRENTLY RUNNING ABOUT 2 BILLION DOLLARS A YEAR. IF WE ARE TO CONTINUE TO ENHANCE AND EXPAND OUR URBAN MASS TRANSIT CAPABILITIES, NEW AND INNOVATIVE METHODS MUST BE EXPLORED TO INSURE THE MOST COST EFFECTIVE SERVICE. IN THIS PERIOD OF SEVERE ECONOMIC CRISIS, IT BECOMES EVEN MORE URGENT THAT WE ENCOURAGE PRIVATE SECTOR DEVELOPMENT OF ALTERNATIVES WHICH MAY REDUCE THESE HUGE CAPITAL AND OPERATING DEMANDS.

THE ENORMOUS AND EXTRAVAGANT COSTS OF SUBWAYS WILL VERY LIKELY PRECLUDE DEVELOPMENT IN MANY URBAN AREAS.

HOWEVER, WE ARE AWARE OF A RAIL SYSTEM WHICH MAY AVOID THE NEED FOR RAIL TUNNELS IN DENSLY POPULATED AREAS. IT DOES THIS BY PROVIDING 2 WAY RAIL TRAFFIC ON AN EXTREMELY SLENDER GUIDEWAY BEAM, WHICH MAY WELL BE ACCEPTABLE ABOVE CITY STREETS AT A FRACTION OF THE COSTS OF SUBWAYS.

IN A RECENT AUTHORATATIVE STUDY URBAN RAIL IN AMERICA, BY BORIS PUSHKAREV, AN EXPERT ON URBAN AND TRANSPORATION PLANNING, IT WAS DETERMINED THAT THE NEED FOR LIGHT SINGLE-BEAM SYSTEMS WOULD BE LESS COSTLY TO BUILD, OBSTRUCT LESS VIEW, AND NOT REQUIRE ANY SNOW-MELTING. WHEN DEVELOPED, SUCH SYSTEMS COULD HAVE WIDE POTENTIAL USE.

HIS STUDY GOES ON TO STATE THAT BY PROVIDING COMPLETE GRADE-SEPARATION AT AN UNUSUALLY LOW CONSTRUCTION COST, THE PROPOSED MANUALLY OPERATED "PROJECT 21" OVERHEAD STREETCAR COULD BECOME THE FIRST MODERN RAPID TRANSIT SYSTEM TO FULLY PAY FOR ITS CONSTRUCTION FROM SAVINGS IN LABOR COSTS ALONE.

ENCOURAGINGLY, I UNDERSTAND THE DEVELOPMENTS OF THIS SYSTEM HAVE PROPOSED TO THE SECRETARY OF TRANSPORTATION THAT THEY ARE READY TO PROCEED WITH PRIVATE DEVELOPMENT.

HOWEVER, AS IS OFT TIMES THE CASE IT IS DIFFICULT FOR ENTREPRENEURS TO SUCCEED WITHOUT FEDERAL GOVERNMENT ENCOURAGEMENT.

IF THE DEVELOPERS OF "PROJECT 21" CAN DO THE JOB WITHOUT TAXPAYER SUPPORT, THEN I SAY, WHY NOT? I CERTAINLY HOPE THAT THIS AND OTHER INNOVATIVE PROPOSALS WITHIN THE PRIVATE SECTOR, UTILIZING VENTURE CAPITAL WILL BECOME A VIABLE ALTERNATIVE TO "BUSINESS AS USUAL."

"Project 21" Double track and six feet wide

From RAILWAY AGE magazine, February 9, 1981

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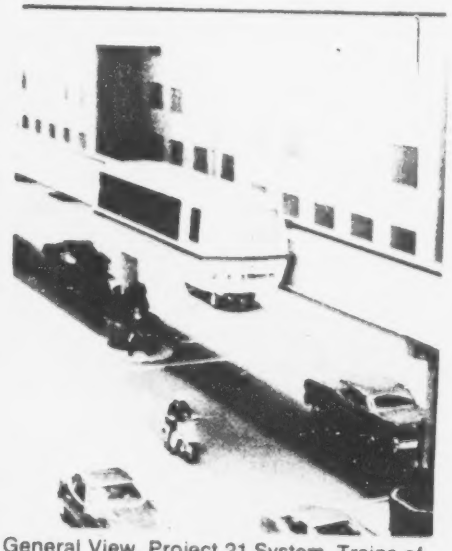
By JOHN ARMSTRONG,
Associate Editor

What are the keys to a broadly-acceptable, intermediate-capacity rapid transit system? "An elevated but narrow profile (in an approach that is middle-of-the-road in more ways than one) along with a reasonably practical turnout," responds "Project 21" inventor Larry K. Edwards in postulating an inclined duorail, steel-wheel system so named to emphasize that it can handle two-way traffic on a single beam.



General View, Project 21 System. Trains of one to four cars move alongside triangular elevated guideway on two steel rails. Two steel wheels per car ride on load-carrying rail near lower corner. Outriggers on upper guideway rail at top hold cars vertical.

Since even supported monorails have obstructed light and view to an extent obnoxious to many, while such broad-guideway downtown people-mover propositions as Los Angeles's current three-mile, $175 million flak-catcher are generally perceived as direct descendants of the Third Avenue L, Project 21's design concentrates on slenderizing its combined structure/guideway to a roughly equilateral triangle less than six feet wide.

Cars or trains move along the outer sides of the triangle, supported by dual-flanged resilient wheels on an inclined steel rail at the lower corner which carries all vertical, propulsion and service-braking loads. Multiple rollers (envisioned as plastic-rimmed for acoustic reasons) on dual hinged outriggers engaging the lower surfaces of the head of a second rail near the vertex of the triangular guideway keep the cars vertical; outrigger reaction is about one third of car weight. Redundant positive engagement with the head of the running rail is also provided.

Detailed design studies on Project 21 to date have concentrated on optimization for a role intermediate in most characteristics between heavy-rail and light-rail conventional systems, while recognizing that in such an environment of novelty there are possible benefits being foregone in both directions. Initial design is for a maximum speed of 55 mph and (on the basis of station lengths considered acceptable in residential areas) 4-car maximum train length.

● **A kit guideway?** As a strictly elevated railroad in the interest of minimum cost and maximum locational flexibility for a fully-separated right of way, the all-metal guideway span structure supported on steel columns lends itself to modular design with only the concrete foundations for the single steel pillars constructed in place. Standard span length on tangents is 75 feet, going up to 99 feet if required in special cases. Designs for curves of 90 feet (minimum negotiable radius 14.5 mph), 400 feet (31 mph) and 1275 feet (unrestricted 55 mph) have been prepared, with superelevation up to 6.5° corresponding to a cant deficiency of 2.5°

(the equivalent of 2½" on a standard-gauge conventional track) at design speeds.

Should tunnels be required in special situations, their minimum cross section of 8 by 20 feet is approximatey half that of typical two-way heavy-rail transit. Apart from the interesting possibilities for the installation of the elevated lines from kits (any module can be transported on a piggyback flatcar) with vastly less disruption than for either heavy or light rail (or for a busway, for that matter), there is the still more intriguing thought that reusability of most components might give urban planers a second chance to match line locations to unanticipated future needs.

Trains are envisioned as running in one- to four-car configurations as traffic warrants, a single A car with operator controls picking up MU units as required. With width of a turnback loop less than 200 feet, single-ended trains appear most logical.

Conventional 600-volt nominal third-rail propulsion is contemplated, with power distribution via a massive round aluminum conductor conveniently located within the tubular top structural member of the triangular guideway. Under-running third rails are somewhat protected from the elements by the top running rails close above them. Without allowance for regeneration, 3.4 mile substation spacing is calculated as adequate to equal the highest-powered heavy-rail transit acceleration performance; with the relatively large number of short trains on the line and close station spacing more typical of LRT, the benefits of regeneration should be attractive.

Project 21 Turnout concept. In separated-station version for traffic levels up to 19,000 passengers/hour, "expresses" can by-pass station at local stops. Turnout with stub points and active frog also forms basis for branchline junctions.

Geometry of the 2-1 suspension system is such that propulsion wheel loads are about 22% higher than car weight; with this addition to adhesive weight, operation on grades up to 10% without sand is expected to be practical (considering that wet leaves on the rail should be a rarity), so one question of possible fall-out on those below may be moot.

● **A real puzzle switch.** A recognized key factor, if the scheme is to break out of the restricted theme-park role typical of supported monorails, is its turnout concept. The initial separation of traffic between the two pairs of rails can be considered a standard railroad turnout—it's just inclined some 60° to the horizontal. Because of the positive-engagement/dual flange features of the system the points must be of stub rather than split-rail type, and the frog must be active; lateral forces resulting from the inclined attitude must of course be taken into account in design of the operating and locking mechanisms, envisioned as being redundant.

Since trains run on both sides of the guideway beam, a complete junction starts out with back-to-back turnouts. The subsequent course of the two routes—essentially equivalent to a double-track "flying junction" in conventional terms—involves further vertical separation to allow the diverging line to pass over the route of opposite-direction main-route trains. The primary challenge of the concept is to the technical illustrator, all two-dimensional representations generated to date leaving something to be desired in the way of instant clarification of the principle. From an engineering standpoint, computer optimization of the intertwined gradient and curvature relationships has generated a design allowing for 35 mph on the through route, compatibility with the 14.5 mph speed of a right-angle diverging-route curve of 90 feet radius, and maximum grades of 3.1% and 9.3% on through and secondary routes, respectively.

● **Pros and cons.** As would be expected in such a departure from the conventional, there are many possible problem areas to be addressed, along with side benefits (some of them perhaps substantial) from some of the solutions. Some examples:

Stations (essentially, center-of-the-street widened spots in the guideway which fit within a 10-foot-wide "footprint" that should be compatible with many existing street medians) are reached by elevator and stairs. Elevator-type sta-

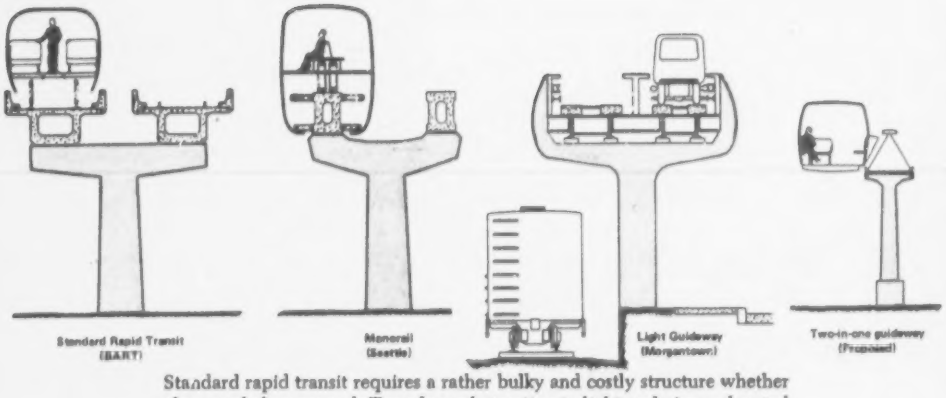
tion doors interlocked to open only when a car is present are an essential complication—but the platform-clearing process in snowstorms is eliminated and full station climate control is easy.

Head-on collisions at junctions are impossible, but verification of the aligned-and-locked condition of all turnout elements in time for the operator to stop short of the switch is essential.

The entire concept springs from the desire to minmize environmental impact—in particular, visual intrusion. What will the noise level be? This is perhaps the principal technical question that would be fully resolved only by a prototype test program. The guideway design, validation analyses of which were reported in a 1974 ASME publication (74-RT-6) by Edwards and Lloyd H. Donnell, includes expansion joints (with a biased-gap insert). Beam-webs are curved, and resilient isolation between spans and support is included, but reaching the full potential of such a transit network by extending some tentacles into residential neighborhoods can probably become politically feasible only after a convincing demonstration of its quiestness to real ears.

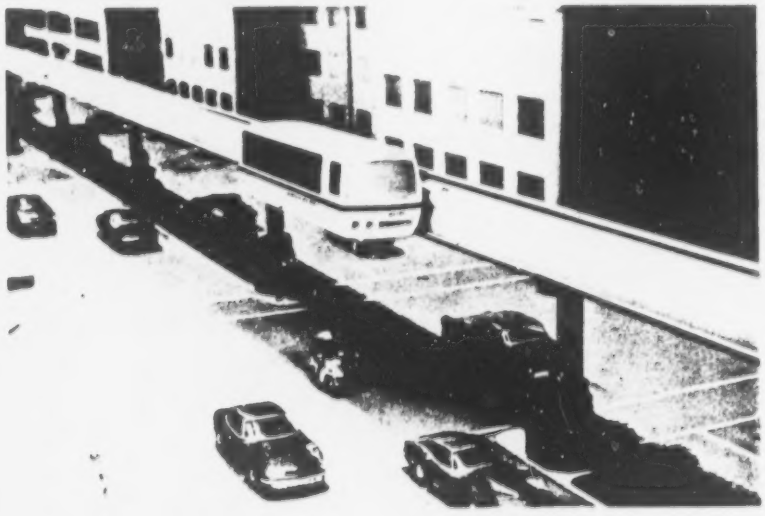
Project 21 design studies were supported by Lockheed for a time in the early 1970's when the goal of so many space technology organizations was to show what could be done here on earth. Subsequent design, analysis, costing and refinement studies have included inputs from transit authorities and consultants. Guideway design studies by American Bridge have projected that elevated tangent guideway meeting realistic fatigue life standards can be fabricated from 1,200 tons of steel per mile. Another step in public exposure of the concept in its present state of advancement took place in mid-January with presentation and review of a descriptive paper at the 60th Annual Meeting of the Transportation Review Board in Washington, D.C. ■

ON ELEVATED STRUCTURE:



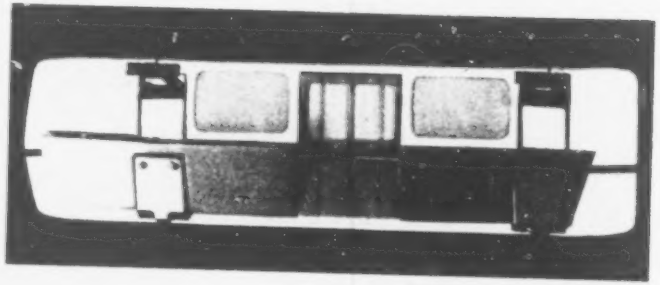
Standard rapid transit requires a rather bulky and costly structure whether above or below ground. To reduce obstruction to light and air on elevated structures, the monorail was invented; as evident from this comparison, the reduction is marginal, while mechanical complexity is much greater. Nor did the first generation of light guideway transit reduce guideway requirements a great deal: the cross-section of the Morgantown system is similar in size to the BART cross-section. An ingenious proposal for a dramatic reduction in guideway dimensions and cost is also shown here. Patented as Project 21, the single, open-web triangular beam that is only 5.5 feet wide carries two-way traffic in 20-seat vehicles which are manually operated in trains of up to 4 cars. In an underground application, the clear area of the needed tunnel is only about 215 sq. ft., compared to 400 sq. ft. for a conventional subway. The system offers grade-separated guideway transit to smaller cities which could not afford it otherwise.

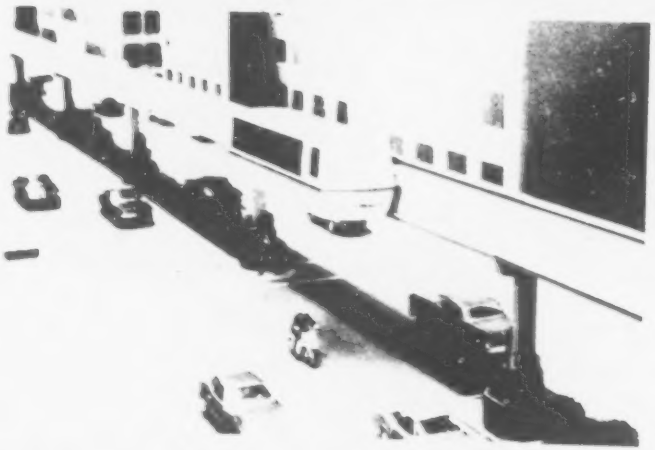
Photo Lawrence K. Edwards

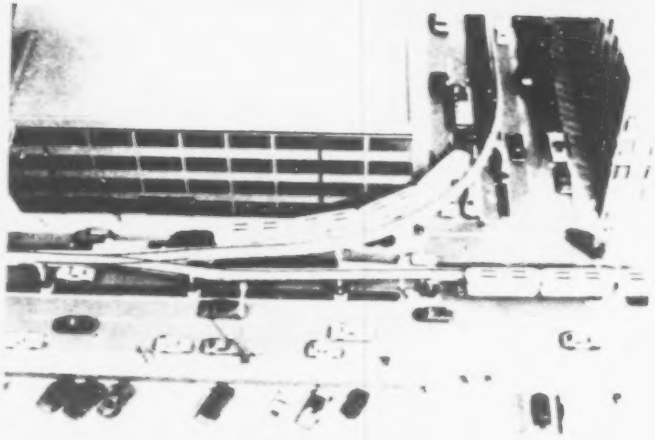


PROJECT 21 Rapid Transit System

HIGH ESTHETICS MEDIUM CAPACITY LOW COST







HOW PROJECT 21 COMPARES WITH CLASSICAL RAIL RAPID TRANSIT (RRT) AND STREETCAR SYSTEMS (LRT)

LIKE RRT

Fully exclusive right-of-way

Real stations with elevators

High speed

Prepaid fares

Level boarding

Variable train length

Third-rail power

LIKE BOTH

Two-way traffic on same alignment

Steel wheel/steel rail

Railroad-type switch

600-volt electric power

LIKE LRT

Intermediate capacity

Shorter trains

Accessible operator

Diverse layout (many branches)

More stations per mile

Little or no signalization (optional)

804

ADDITIONAL PROJECT 21 FEATURES THAT ARE DIFFERENT FROM BOTH RRT AND LRT

More seats

Smaller cars

Open passageway car-to-car

Enclosed one-wheel trucks

Higher adhesion

Less need for tunnels

Much smaller guideway for 2-way traffic

Fully enclosed elevated stations

— very slender profile

— air conditioned

Better snow/ice protection

Prefabricated, reusable guideway & stations

TRANSIT INNOVATIONS 3507 Slade Run Drive Falls Church Virginia 22042 (703) 532-2360

COLORADO DEPARTMENT OF HIGHWAYS

STATEMENT OF JACK KINSTLINGER, EXECUTIVE DIRECTOR, COLORADO DEPARTMENT OF HIGHWAYS

ACCOMPANIED BY JOHN KRAMER, SECRETARY, ILLINOIS DEPARTMENT OF TRANSPORTATION

Senator ANDREWS. The next witness is the C–470 group. They must have had a blizzard out in Colorado.

Then we will have a Colorado Chamber of Commerce group.

Mr. KINSTLINGER. Thank you, Mr. Chairman.

I appreciate the opportunity and also the cooperation we have had from Mr. Hardin of your staff and other staff members.

I would like to spend a few minutes reviewing with you a position paper of the 18 States that have withdrawn interstate segments in favor of other substitute projects.

I have sitting on my left Mr. John Kramer, the Secretary of the Illinois Department of Transportation, who cochaired this effort with me.

The position paper was adopted by the States of Arizona, Colorado, Connecticut, Illinois, Iowa, Minnesota, and Washington, D.C., with approvals pending from California, Indiana, Maryland, Massachusetts, Nebraska, New York, Ohio, Oregon, Pennsylvania, Tennessee, and Virginia.

Undoubtedly you are familiar with the Federal Aid Highway Act of 1973 that authorized withdrawal of interstate routes for substitute highway and transit projects. We think it has been a successful program in the sense it has resolved a lot of festering problems with regard to interstate highways. It has helped resolve these and contributed toward the earlier completion of the interstate program.

Today, 34 withdrawals and 25 areas have been affected. They have been supported by the public, but despite that success the program is seriously being hampered by lack of adequate funding. We believe this makes the program less successful, less likely to help resolve future interstate disputes and also I think that it is not allowing the Congress to keep faith with those States that withdrew their routes on the expectation that the substitute projects would be funded in a timely fashion.

Of the 34 withdrawals approved to date, this represents $10 billion of withdrawn Federal funds for interstates, $4.3 billion has been paid out, leaving an unfunded balance of $5.7 billion, about $3.5 billion in highways and $2.25 billion in transit.

The funding which has gone from about $400 million to $800 million a year and about $150 million being proposed for highways in 1983 is simply not in accordance with the need. In highways alone with the unfunded obligation of $3.4 billion and the expected funding of $150 million this year, it will take close to 30 percent to pay that back.

The States therefore recommend a number of changes in both appropriations and authorizations.

We think the funding should be significantly increased with a target date of 1990.

The funding required will be about one-half of a billion dollars a year, about $900 million for highway substitutes and $600 million for transit.

With Secretary Lewis' proposal of a 5-cents-per-gallon gas tax increase, this will be possible. We recommend the unfunded balance be allowed to increase with the construction cost index as is now in the statute, but there is a recommendation that that be cut off in 1983.

We also recommend that at least 75 percent of the funds be put out on a predicted formula distributed to each State, with each State's share based on each State's share of the total unobligated balance. This, we believe, will achieve equity and predictability in the program.

We also recommend that the funds remain available for only 9 months and that they be reallocated on a discretionary basis if the States cannot obligate the funds in that period of time.

If the Highway Trust Fund is not increased, we would recommend that both highways and transit continue to be funded out of general funds, somewhat in the ratio of the unobligated balances.

If the trust fund is increased in accordance with Secretary Lewis' proposal, we would recommend that the highway substitutes be funded out of the Highway Trust Fund.

With regard to some Denver progams, we have a Colfax-Larimer viaduct bridge project which is a key artery to center city Denver. It needs to be funded out of the discretionary bridge program.

Your committee did recommend that project last year and we received $7.6 million to begin the project. The total cost is close to $40 million.

We thank you for your help and will continue to work with the Department of Transportation to continue funding that one.

With regard to the Interstate Highway Transfer program, Colorado's remaining obligation is $178 million, about 5 percent of the national total, but in 1982 we received $7.9 million, less than 3 percent of the $288 million nationally, and Highway C–470, which is the reason our large delegation is here and will be addressing you in a minute, needs over $30 million simply to acquire the rest of the land which is escalating at 2.5 to 4.0 percent a month. At that rate we have lost about $10 million of ground simply because of inflation and, therefore, the amount of money we received last year did not even cover the inflationary cost of the land alone that needs to be purchased. That is of great concern to Colorado and will be addressed by the rest of the Colorado delegation.

In closing and following up on Mr. Downs' offer, I would invite you to come to Colorado and we will be delighted to show you some of our highway projects through the mountains and to the ski and resort areas and hopefully you will be able to take us up on that offer.

Perhaps Mr. Kramer might want to add a bit on the program recommendations before you turn this over to the rest of the Colorado delegation.

Senator ANDREWS. Thank you.

[The statement follows:]

STATEMENT OF JACK KINSTLINGER

Executive Director,

Colorado Department of Highways

TABLE OF CONTENTS

I. Proposed Legislative Changes for the Interstate Transfer Substitution Program.

II. Colfax Viaduct Funding Needs - Highway Bridge Replacement and Rehabilitation Program - Discresionary Bridge Funds.

III. Colorado's Interstate Transfer Funding Needs - C-470 Parkway and Other Substitute Projects.

LEGISLATIVE CHANGES

In terms of longer range solutions, a coalition of States with Interstate Substitution projects has established several legislative recommendations which I would like to summarize for you. The following states have met and endorsed these recommendations: Arizona, Colorado, Connecticut, Illinois, Iowa, Minnesota, and New Jersey, as well as Washington, D.C. The following states have received these recommendations and their support is pending: California, Indiana, Maryland, Massachusetts, Nebraska, New York, Ohio, Oregon, Pennsylvania, Tennessee, and Virginia.

1. That the current deadlines of 1983 for further withdrawals and substitution project be maintained.

2. That the current deadline of 1986 for Interstate Substitution projects to be under contract for construction be maintained; provided sufficient federal funds are appropriated by the Congress.

3. That it is essential that the current quarterly adjustments based on the National Construction Cost Index be maintained.

4. That highway substitution projects be funded from the Highway Trust Fund but only after or concurrent with significant increases to Trust Fund revenues and that transit substitutions remain funded out of the General Fund. If highway substitute projects are funded out of the Highway Trust Fund, transfer funds should be exempt from obligation ceilings. If the General Funds continues to fund both highway and transit substitute projects and if separate allocations are made to each mode from the General Fund, the split between the modes must be commensurate with each mode's unobligated entitlement. The unobligated highway balance exceeds $3.2 billion dollars and the unobligated transit balance is only slightly less than $2.2 billion by current Colorado estimates. If separate allocations from the General Fund are made to each mode, each State should be allowed to use its total allocation the most effective way possible, regardless of mode. Finally, regardless of funding source or mode, it is recommended that 75% of the annually appropriated funds be allocated to States based on each State's share of the total unobligated balance; 25% be distributed at Federal discretion; and that funds not obligated within nine months of availability be returned to be reallocated at the Secretary's discretion.

5. That the States be granted Contract Authority, bonding capability, advance construction with Federal reimbursement, and that obligations be permitted one year in advance of authorization for the formula portion of Interstate substitution funds with a nine month lapse.

6. That the Federal Government establish a reasonable time frame to complete the Interstate substitution projects and program sufficient funds on a multi-year basis to support that completion time frame. It is further recommended that completion be scheduled for 1990; initial funding be established at $1.5 billion per year and if split modally, funding should be $900 million per year for highways and $600 million per year for transit; and that these levels be adjusted periodically to account for further withdrawals and escalation.

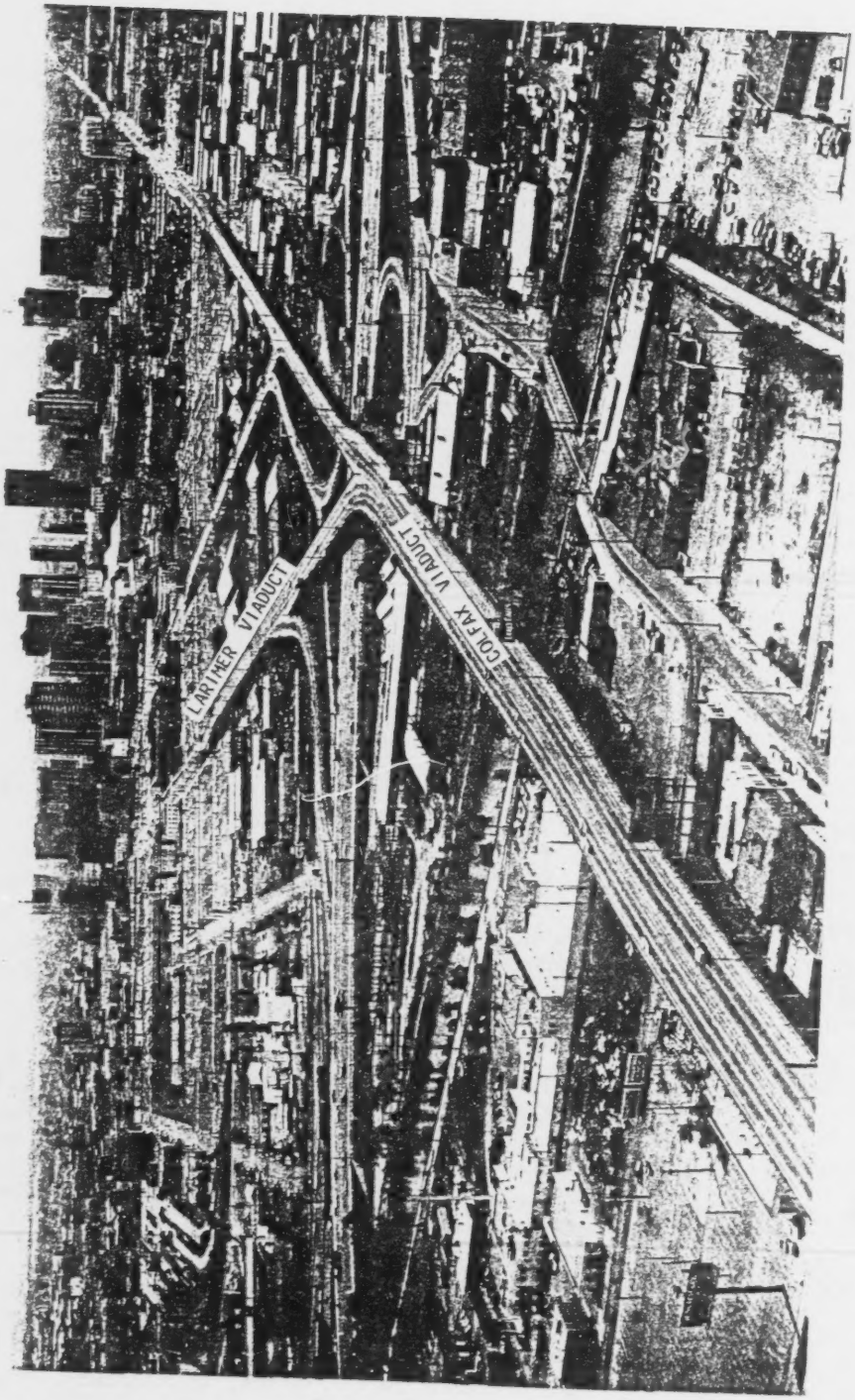
HBRRP DISCRETIONARY BRIDGE FUNDS

COLFAX-LARIMER BRIDGE REPLACEMENT

Another high priority need of the State of Colorado is the replacement of the Colfax-Larimer viaduct. The Colfax-Larimer viaduct is located in the City and County of Denver. As an integral part of U.S. Highway 40, this viaduct functions as an east-west principal arterial in the Denver Metropolitan Area (see attached photo). The Colorado Department of Highways is pursuing Discretionary Bridge Replacement Funds as authorized in section 124 of the Surface Transportation Assistance Act of 1978. In Fiscal Year 1982 Colorado received from the HBRRP Discretionary Bridge Funds an amount of $7.6 million for preliminary engineering, right-of-way, and detour construction. The total cost of this project is currently estimated to be $38.3 million. We appreciate the actions of the Congress, Secretary of Transportation, Drew Lewis and Federal Highway Administrator, Ray Barnhart for making these funds available to begin necessary work. We look forward to continued funding until the entire Colfax-Larimer bridge replacement project may be completed, hopefully over the next several years. We will continue to work closely with the U. S. Department of Transportation to achieve this end.

Construction of the Colfax-Larimer viaduct was started in 1914 and completed in 1917. The Colfax-Larimer viaduct is one of a limited number of routes that cross several railroad tracks, I-25, and the South Platte River in the Central Denver Area. It is critical to the Denver Central Business District for auto, truck, and bus access. It is also an essential link in the Regional Transportation District Bus Transit System. Approximately 680 two-way bus trips and 10% of RTD's total patronage cross the Colfax-Larimer viaduct each day. Present average daily traffic on the viaduct is 34,800 vehicles.

The importance of replacing this viaduct cannot be over emphasized as many locations of the bridge are critical. The bridge rail is structurally inadequate by current design standards. The material is badly deteriorated and requires a high level of maintenance to keep in service. In some areas the deck has severe map cracking. This condition is such that the slab may start to fail in localized areas under heavy traffic. Many of the joints are now failing. The loose joints are a safety hazard as they come out and leave a gap or a hole that a wheel can fall into resulting in loss of control of a vehicle. The sufficiency rating is 6. The bridge can still carry traffic at a reduced level. It is difficult to assess the exact load carrying capacity of the bridge because of the age of the structure and complexity of the deterioration. The bridge is currently load posted and deck maintenance is continuous. It is apparent that the level of required maintenance to keep the bridge open is steadily increasing.


LARIMER VIADUCT
COLFAX VIADUCT

INTERSTATE TRANSFER

BACKGROUND

The need for a southwest circumferential route in the southern Denver metropolitan area was first stated in a 1958 report by what is now known as the Denver Regional Council of Governments (DRCOG). Shortly after the Federal-Aid Highway Act of 1968 authorized additional circumferential mileage on the Interstate System, the Colorado Department of Highways requested the addition of Interstate 470 (I-470) to the Interstate System. I-470 was authorized as part of the Interstate System and has been included in regional plans since that time. An I-470 corridor location study was conducted in 1970 and impact studies on parks and recreation resources were conducted in 1971.

In 1972, the Colorado Department of Highways submitted a Final Environmental Impact Statement for the I-470 project, recommending a circumferential highway similar to the proposed route location for Colorado 470 (C-470). The statement was reviewed by the Federal Highway Administration and other governmental agencies. Questions arose regarding air quality, alternate modes of transportation, alternate highway alignments and effects on land use. As a result of these questions and concerns, the Department of Highways was directed by the Federal Highway Administration to revise the I-470 Environmental Impact Statement in June 1975.

In June 1975, Governor Lamm, responding to the concerns of a great number of citizens, appointed a 12-member panel to analyze compromise solutions and determine whether the I-470 project or some alternative should be built. The panel, which became known as the I-470 Ad Hoc Commission, was created in the midst of an emotionally charged debate which was beginning to polarize the entire state. The issue was whether I-470 was needed and was socially and environmentally acceptable. Concurrently the Department initiated an intensive year-long study to remedy the deficiencies of the Environmental Impact Statement and to re-examine the transportation needs of the southwest quadrant of metropolitan Denver.

Using the Highway Department studies, local government requests and public input, the Ad Hoc Commission developed a recommendation. On December 17, 1976, the I-470 Ad Hoc Commission unanimously recommended to the Governor that Interstate 470 be withdrawn and that a portion of the funding be "transferred" to three specific substitute projects which better addressed the transportation needs of southwest Denver: Colorado 470 (a four-lane parkway), Santa Fe Drive corridor improvements and the widening and extension of South Kipling Street. The balance of the "transfer" funds was requested for other worthy transportation projects in the urbanized area in March 1978. Some of these projects emphasize increased high-occupancy vehicle and mass transit use. The status of each of the substitute projects is shown in Figure 1.

The recommendation, as required, was adopted by: the State Highway Commission; Arapahoe, Jefferson, and Douglas Counties; the Cities of Littleton and Lakewood and the City and County of Denver and the Denver Regional Council of Governments acting as the Metropolitan Planning Organization. The recommendation was also endorsed by all municipalities, counties and service organizations in the affected area.

On July 28, 1977, Governor Richard D. Lamm signed the Interstate 470 Withdrawal-Substitution Proposal which was submitted to the Secretary of the Department of Transportation for approval. The Department of Transportation, through the Federal Highway Administration (FHWA) and the Urban Mass Transit Administration (UMTA), approved the proposal on September 30, 1977.
Although there are significant needs on each remaining substitute project, there is an overwhelming need to complete the C-470 Parkway substitute project. Therefore, most of my remarks will be related to the C-470 or "Centennial" parkway.

The Draft Environmental Impact Statement for the substitute C-470 parkway project was circulated to the public in August 1978. Approximately 150 people attended the Route Location Public Hearing held in September 1978. All who spoke supported the project. After a detailed analysis and public involvement process the Centennial parkway access control plan was announced in January 1979. The U.S. Department of Transportation approved the Final Environmental Impact Statement and Section 4(f) Statement in July of 1980.

The Preliminary Design Hearing for Phase I (I-25 - Santa Fe) was held August 27, 1980. Public reponse to the project design plans for both C-470 and County Line Road was favorable. Preliminary Design Approval of Phase I was received December 16, 1980. The Design Hearing for Phase II (I-70 to U.S. 285) was held on March 25, 1981 and Design Approval was granted September 11, 1981. The Preliminary Design Hearing for Phase III was held on February 18, 1982. Final design will be completed for all of Phase I of the project by the fall of 1982.

C-470 NEEDS

The need for Colorado 470 is now more acute than nearly a quarter century ago when a circumferential route in this vicinity was first envisioned and certainly more acute than five years ago when the present concept of the C-470 project was agreed to. Development and traffic pressures continue in the south, southwest and west regions of the Denver metropolitan area. Many of the developments that were only proposed when the Final Environmental Impact Statement was approved in 1980 are now well underway. In particular, the southwest quadrant is the location of a number of major projects. The attached Figure 2 shows the corridor development/land use.

Today the area that would be most directly affected by C-470 is experiencing massive population and employment growth. It is conservatively estimated that the area to be served by C-470 currently has a population of 150,000 and an employment base of 50,000 people. Today's scenario illustrates the acute need for C-470. But this need is emphasized even more when the population and employment projects for the year 2000 are forecasted. It is conservatively estimated that 300,000 people will reside in the area while 200,000 people will be employed in the area.

These large increases in population and employment translate into massive traffic projections for the southwest quadrant of the Denver metropolitan area. With completion of C-470, it is estimated that the facility will carry 50,000 vehicles per day by the year 2000. Current traffic volumes are shown in Figure 3 and future traffic volumes updated since 1980 are shown in Figure 4.

Without C-470 the existing road network will become more congested due to increased traffic, air quality will worsen along the corridor due to stop-and-go traffic and traffic safety will continue to deteriorate.

SUPPORT

The metropolitan Chambers of Commerce in cooperation with the Colorado Department of Highways has formally documented the tremendous local and State support for the C-470 Parkway. A six page "Statement of Support" was formally supported by the Governor of Colorado (letter attached), all three Board of County Commissioners, all nine directly affected local municipalities, the City and County of Denver, and ten other home owner groups and business enterprises. There are no dissenting votes related to public and private support for this project.

Support for the other remaining substitute projects is also substantial. Local agencies have passed over $5 million in bond issues to assure completion of their projects as well as one local agency using its own forces to complete part of the work to extend the use of federal funds.

FINANCING

We are particularly concerned that Denver only received $7.9 million dollars, or 4.2% of its unobligated highway balance, out of the $288 million appropriated in Fiscal Year 1982 for the Interstate Transfer-Highway Program. In reviewing funding to other states, Colorado's entitlement for Fiscal Year 1982 as a percent of its unobligated balance is lower than for any other city whose Interstate withdrawal was approved in 1977 or earlier, and even less than for most of the cities whose withdrawals were approved subsequent to 1977. Of the cities whose withdrawals were approved in 1978 and later, nine of the cities receiving earmarked funds for Fiscal Year 1982 were receiving a greater share of their unobligated balance than Colorado and only four cities were receiving less even though all of these had withdrawals approved after Colorado.

As of September 30, 1982 Colorado had received $46.9 million in Interstate Transfer-Highway funds or 20.1% of its highway entitlement since 1977, the date of Colorado's withdrawal. Of the six states withdrawing their Interstate routes prior to Colorado, four - Oregon(Portland), Washington, D.C. (1st withdrawal), Oregon (Salem), and Illinois (Chicago) - have received highway funds representing a greater percent of entitlement than has Colorado. Even of the withdrawals occurring after Colorado's, six have received a greater share of entitlement - Minnesota (Minneapolis-St. Paul), Washington, D.C., New York (New York City), Oregon (Portland), Nebraska, and Pennsylvania (Philadephia).

This situation is, in our view, unfair to Colorado that withdrew Interstate 470 on the pledge of congressional chairmen and committee members and their staff that substitute funding would be made available on an equitable and timely basis. Our concern is particularly acute since Denver is in a position to obligate about $70 million in Federal Interstate Transfer funds by July of 1982.

Denver's problem is accentuated primarily because of two inflation factors. Colorado's construction cost index has increased steadily at 5 to 6 percent per year over the past few years while the national construction cost index has remained constant or actually decreased over the last six quarters. Secondly, right-of-way costs for the C-470 Parkway have been increasing at an alarming rate. Appraisers have estimated that land values are escalating at a rate of 4 percent per month on most properties needed for the Parkway. With $25 million of right-of-way yet to be purchased, this amounts to an $11 million increase in one year, nearly 50% larger than our fiscal year 1982 appropriations. In other words, right-of-way escalation alone on only one of the five remaining projects amounts to almost 50% more than our annual appropriations.

Simply stated, Colorado desperately needs your committment for sufficient and timely federal funding in order to maintain our Interstate Transfer program. The Colorado State Highway Commission has pledged sufficient State matching funds for Fiscal Year 1983 to provide for a total Interstate Substitution program of $32.3 million.

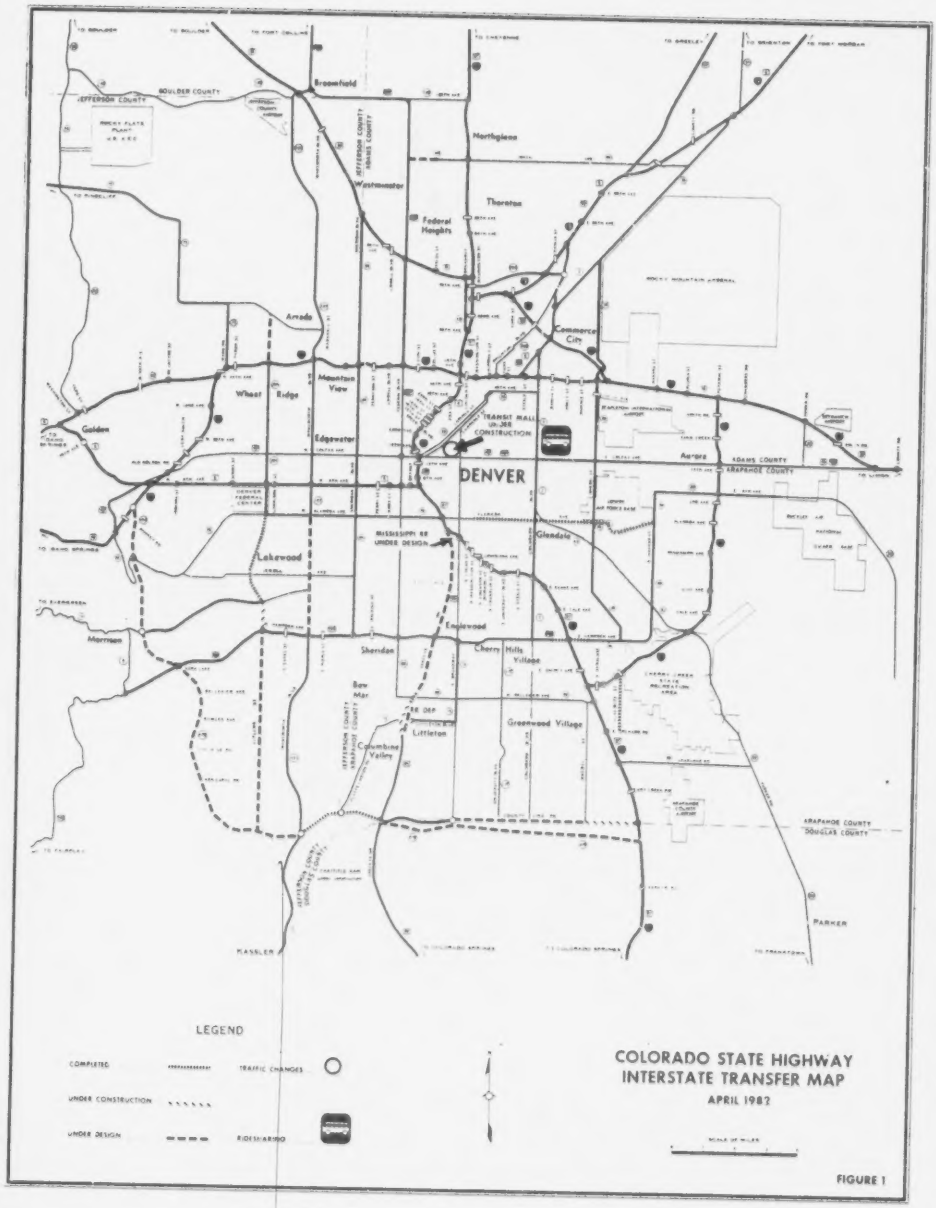
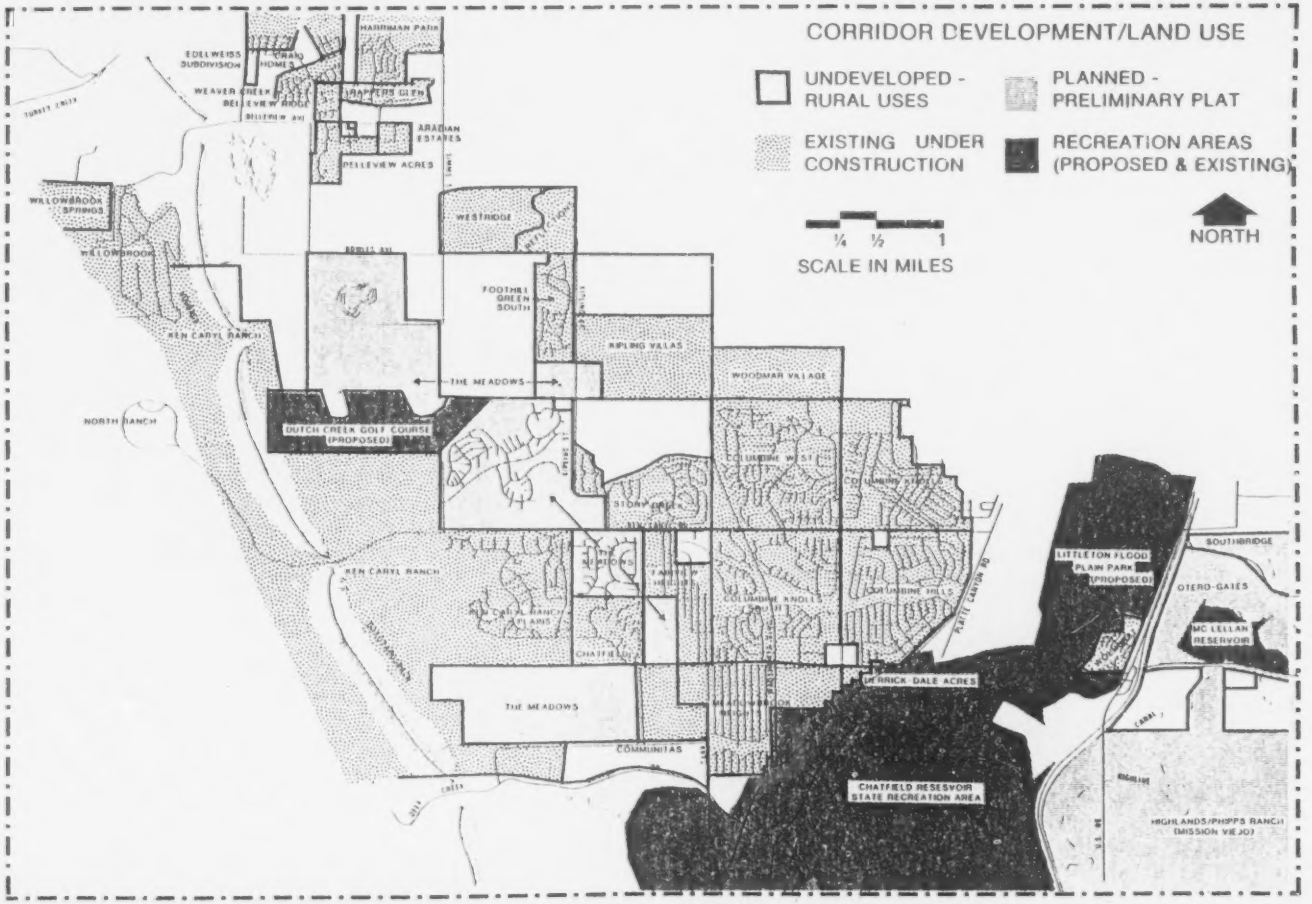


FIGURE 1

15-453 O - 83 - 52

CENTENNIAL PARKWAY STUDY CORRIDOR

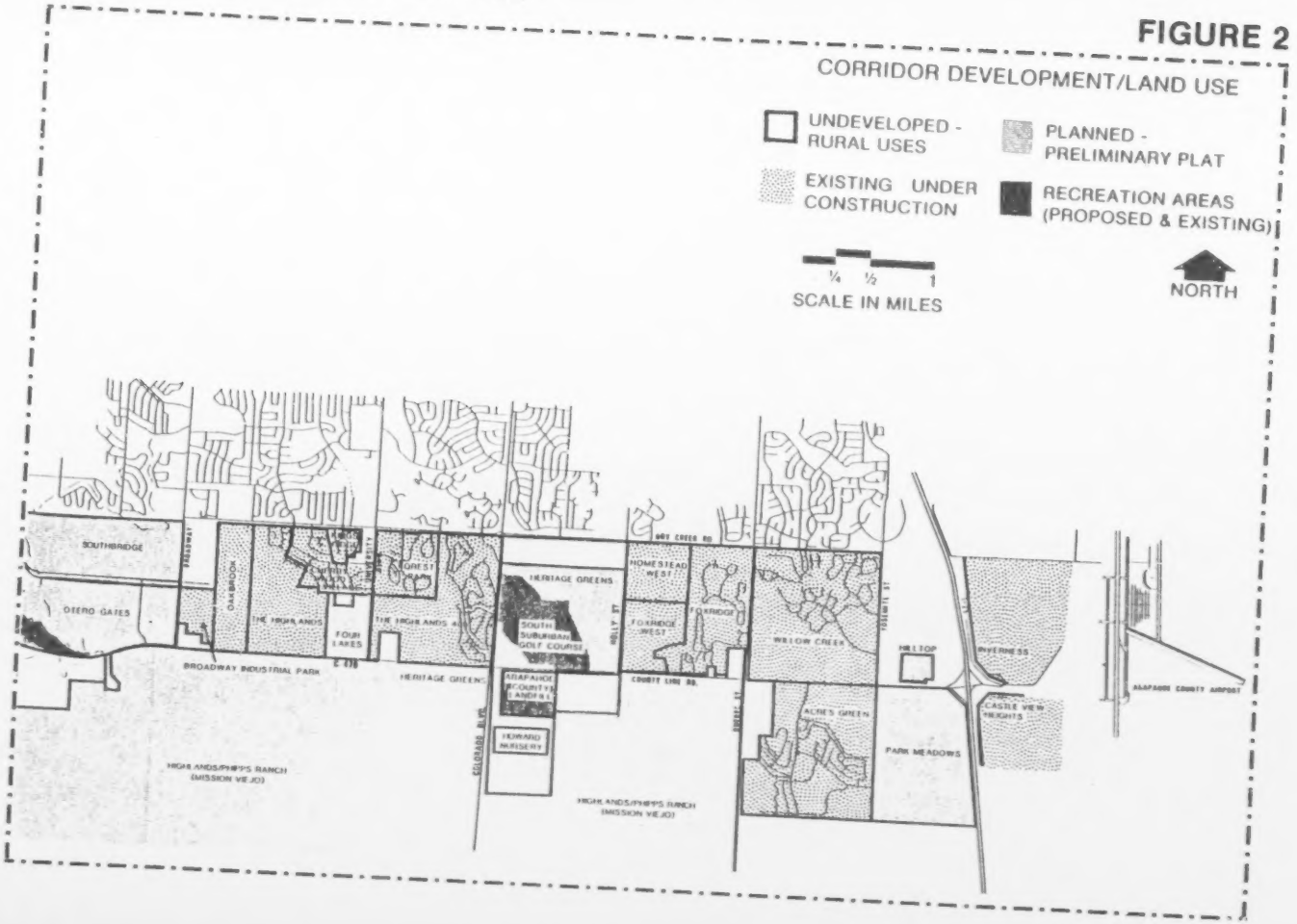
FIGURE 2



CENTENNIAL PARKWAY STUDY CORRIDOR

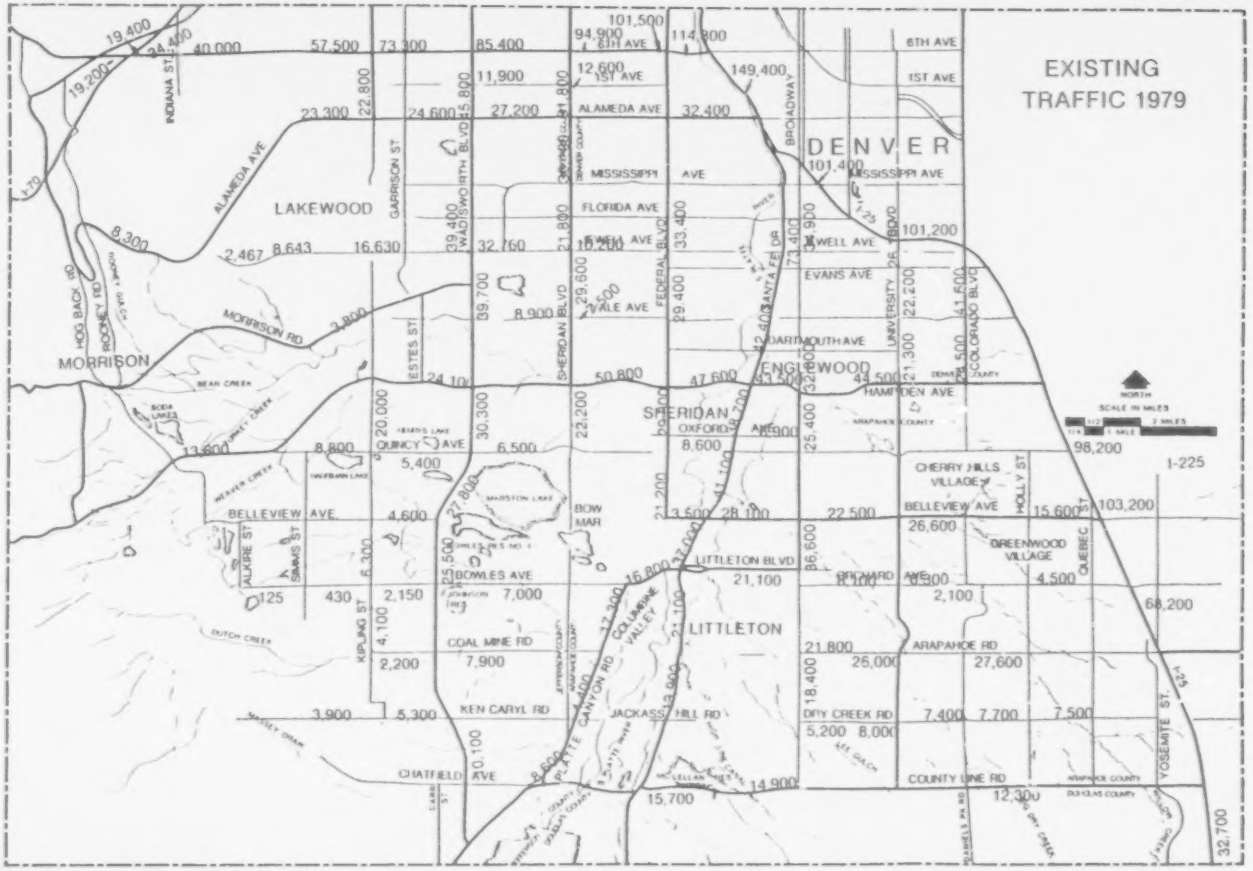
FIGURE 2

CORRIDOR DEVELOPMENT/LAND USE



CENTENNIAL PARKWAY STUDY CORRIDOR

FIGURE 3



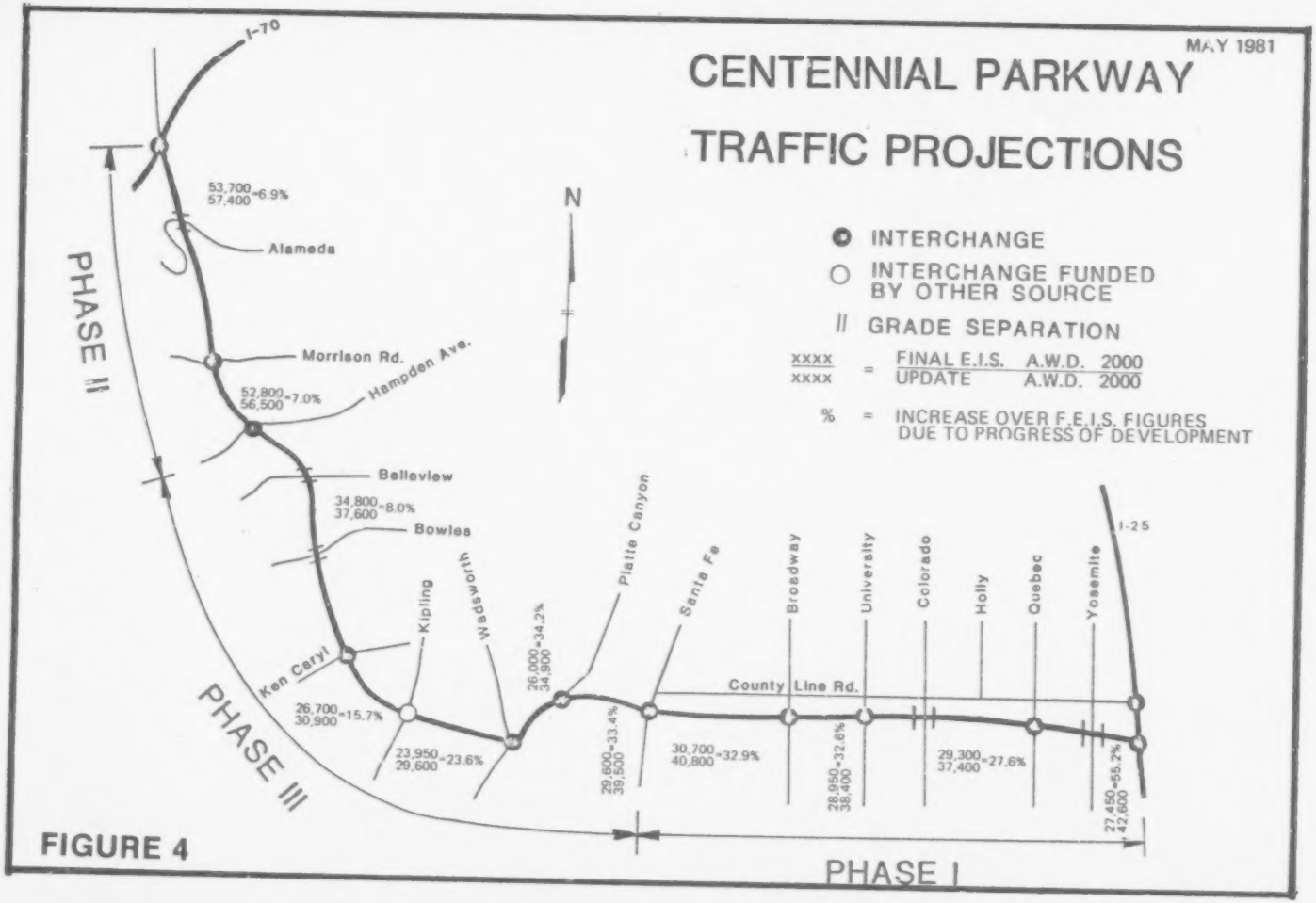

MAY 1981
CENTENNIAL PARKWAY
TRAFFIC PROJECTIONS
INTERCHANGE
INTERCHANGE FUNDED BY OTHER SOURCE
GRADE SEPARATION
XXXX = FINAL E.I.S. A.W.D. 2000
XXXX = UPDATE A.W.D. 2000
% = INCREASE OVER F.E.I.S. FIGURES DUE TO PROGRESS OF DEVELOPMENT
N
I-70
Alameda
Morrison Rd.
Hampden Ave.
Belleview
Bowles
Ken Caryl
Kipling
Wadsworth
Platte Canyon
Santa Fe
Broadway
University
Colorado
Holly
Quebec
Yosemite
I-25
County Line Rd.
PHASE II
PHASE III
PHASE I
53,700 57,400 +6.9%
52,800 56,500 +7.0%
34,800 37,600 +8.0%
26,700 30,900 +15.7%
23,950 29,600 +23.6%
26,000 34,900 +34.2%
29,800 39,500 +33.4%
30,700 40,800 +32.9%
28,950 38,400 +32.6%
29,300 37,400 +27.6%
27,450 42,600 +55.2%

FIGURE 4

ILLINOIS DEPARTMENT OF TRANSPORTATION

STATEMENT OF JOHN KRAMER, SECRETARY

Mr. KRAMER. Mr. Chairman, it is a pleasure to be here on behalf of Colorado East.

Senator ANDREWS. Colorado, you know, is North Dakota South.

Mr. KRAMER. Absolutely. We would love to be part of North Dakota for purposes of appropriations.

Senator ANDREWS. I thought that might come about.

Mr. KRAMER. Mr. Chairman, we in Illinois share Colorado's concerns and those of the 16 other States participating in the interstate transfer program. Our primary concern lies in the level of appropriations for this vitally important program.

As Mr. Kinstlinger noted, at the level the administration has requested for the highway portion of interstate transfer, it would take nearly 30 years to complete the program, during which time under current provisions of the authorizing statute cost to the Federal Government could be expected to increase perhaps 100-fold. We simply think it is a terrible misuse of Federal funds, as well as a problem of such great dimension at the local level, at that level of funding, as to require prompt acton by this committee to change it.

We were, of course, delighted by the action of the Congress this year, in a very tight budget year, to provide increased funding for the transfer program. The $288 million that was appropriated this year was certainly a step in the right direction.

We would hope that next year's funding levels could be larger than that, with or without Secretary Lewis' proposed gas tax; and we hope that this committee, along with the authorizing committee, will continue to work to see that that money is put to good use in the areas where it is desperately needed.

Senator ANDREWS. Last year we had $288 million. The budget has come in this year at $150 million. The problem that we have under the budget act is that Congress sets the budget limitation for transportation. Under the budget limitation assigned to this subcommittee, every dollar that we put into the interstate transfer fund has to come out of some other part of the transportation budget—the Coast Guard, FAA, CAB, or whatever.

I am sure you know that your excellent Senators from Illinois and Colorado and from the other 48 States are very, very much in the business of pleading for funds for those agencies, too.

As much as we recognize the obligation, there has to be a trade-off between this function and the other functions in the transportation section. That does not give us the leeway that we would like to have, but you are making a very strong case.

I understand now that we have a citizens group representing Colorado here.

Mr. KINSTLINGER. Thank you, Mr. Chairman.

Senator ANDREWS. I understand we have a citizens group representing the Chamber of Commerce, local government, and the business com-

munity of Colorado. Senator Armstrong, a longtime good friend of mine, told me that you were going to be here. He told me to take special care of you. In his name, I want to welcome you to the committee. I know he regrets not being able to be here.

I have talked to Bill about C–470. I am sensitive to the importance of the project to the people of Colorado. Jim Gannon and Harold Patton are recognized to speak on behalf of the group.

COLORADO-470 DELEGATION

STATEMENT OF HAROLD PATTON, PRESIDENT, PATTON OIL CO., ENGLEWOOD, COLO.; FORMER MAYOR, GREENWOOD VILLAGE, COLO.; AND COCHAIRMAN, COLORADO-470 DELEGATION

Mr. PATTON. Thank you, not necessarily in that order. This may come under the heading of more than anyone cares to know about C–470. Jack has done an excellent job.

My name is Harold Patton, President of the Patton Oil Co. in Englewood, Colo. I was mayor of Greenwood Village for 10 years. I was appointed to cochairman of the 1977 I–470 ad hoc committee by the governor. That committee developed a compromise which resulted in withdrawal of Interstate 470 and the substitution of Colorado-470 as an interstate highway transfer project.

I am here today as chairman of the Colorado-470 delegation, which is made up of quite a cross-section group of people. Some of them are representatives from the various metropolitan area governments. Some are homeowner association representatiaves, some from metropolitan area organizations and some from the private business sector.

Each of these is vitally interested and cohesive as to the terrible necessity of completing this link segment of C–470.

The project, of course, has been in the planning stages for a number of years. It was envisioned as a circumferential beltway around the southwest portion of the metropolitan area, the then beginning-to-grow metropolitan area, now intensely grown metropolitan area, of Denver. By 1968 the proposed freeway was designated as part of the interstate system. During the early seventies the link found itself in terrible controversy between a number of interests.

As a consequence of that, Governor Richard Lamn appointed this ad hoc committee on Interstate 470. That constitutes six opponents and six proponents, so it is a rather difficult mix, but the evolution of the decision, I think, was quite satisfactory to all of those groups. That compromise solution resulted in what has now become the Columbine Parkway and C–470 substituted as a transfer highway project.

Upon submission of that recommendation to Governor Lamn, the compromise was accepted. The request was made to the Federal Government to withdraw I–470 and substitute the C–470 compromise project. At the time of the withdrawal and substitution, it was believed by many Colorado interests, many of whom are represented by the people here today, that the Federal Government would respond with the appropriate level of funding that would help insure completion of the project on a reasonable and timely basis.

As you observed, the present level of funding requires something on the order of 32 years to complete the highway. As you know, in the 470 booklet, which I hope you have with you today, in the section entitled, "Colorado 470: A Reaffirmation of Support", documents the history as well as the current situation of the project.

I would call your attention to page 4 of the section and since the designation of the Colorado-470 project as an interstate highway transfer project the State of Colorado has received 21.4 percent of its entitlement for transfer highway funds. Of this amount, $19.1 million has gone to the Colorado-470 project, an estimated $205 million total project cost when completed. When compared to most other States' entitlement, the Colorado entitlement as a percent of its unfunded balance is lower than most other States whose interstate withdrawal was approved in 1977 or earlier, and even less than for most States whose withdrawals were approved in 1977.

As you know, sir, there are something like 18 States that have engaged in the withdrawal and transfer process. Our percentage of that to date has been something less than two, where reasonable mathematics would suggest that might be somewhat over 5 percent.

We certainly appreciate and applaud the efforts that Congress is making to control Federal spending. We observed this in all our representatives' offices yesterday. As they walked, you could hear blood in their shoes. It is a very difficult decision time for all of you.

We believe that the intent of Congress through that Interstate Highway Transfer program was to fund the projects that were designated at that time. To paraphrase from a 1980 U.S. Department of Transportation publication entitled "Interstate Transfer: A Handbook for Mayors", while Congress is not legally required to make appropriations for this purpose, it is clearly the congressional intent to do so and to honor the understanding created by an interstate withdrawal.

The U.S. Department of Transportation has indicated it is dedicated to supporting budget requests that will permit expeditious construction of substitute projects.

It is believed the Federal Government has failed at this time to live up to some of that intent. We understand all of the reasons for that, but it does not make our position less desperate because we are suffering the worst aspect of perishing options and an escalating land cost in a time of inflation that is out of control, from our perception, in our local area.

On behalf of the Colorado-470 delegation as well as the interests of many groups in not just the metropolitan area but also throughout the State who are strongly in support of this project, we encourage Congress to fund the Colorado Interstate Transfer Highway funding request at a level comparable to the other States in order that this project can be completed on a more timely basis.

Thank you for your attention.

Senator ANDREWS. Thank you very much for an excellent statement. I think it is most impressive that you have so many civic leaders from around Colorado with you. It shows the intensity of the support of what you are saying.

Now we will be glad to hear from your colleague.

STATEMENT OF JAMES GAMMON, PRESIDENT, CENTRAL CHAMBER OF COMMERCE, SOUTH METROPOLITAN DENVER, COLO.; ALSO ON BEHALF OF THE CHAMBERS OF COMMERCE OF DENVER, GOLDEN, AND LAKEWOOD, COLO.

Mr. GAMMON. Thank you, Mr. Chairman. My name is Jim Gammon, president of the Central Chamber of Commerce, which serves south Metropolitan Denver. I am also representing the Denver Chamber of Commerce, the Golden Chamber of Commerce, and the Lakewood Chamber of Commerce.

I call your attention to the statement that we have submitted for the record, the written statement entitled, "Colorado 470: A Reaffirmation of Support." I emphasize the word reaffirmation because our community has been unified in support of this project since 1977. The broad-based support is evidenced in the booklet which has endorsements contained therein from seven Chambers of Commerce, collectively representing perhaps 8,000 to 10,000 businesses in the metropolitan Denver area.

It also has a resolution from the three counties affected, by the way, eight municipalities that will receive service from the highway, labor unions, the Denver Regional Council of Governments, other special interest groups and probably the most important, numerous homeowners associations and organizations representing over 100,000 people that presently reside in the south and southwest Metropolitan Denver area. All of those organizations and people support our efforts and, as has been suggested, they are personally represented here today, not quite in full but almost, not only by Mr. Patton and me but also 10 other specific business community leaders that have come to Washington to show our sincere need and our sincere interest regarding the urgency of the need for additional funding for C–470.

We do understand the enormous budget problems faced by this subcommittee and others in Congress.

We ask only that C–470 be given special consideration because, as Mr. Patton said, the people are there, they are not waiting for the highway to develop. It is the infrastructure that is now lacking.

Thank you very much for your time.

Mr. HARDIN [presiding]. Thank you very much.

On behalf of Chairman Andrews, I would like to thank each of you for coming today. Be assured we will bring this matter to the attention of each member of the committee.

Thank you very much.

[CLERK'S NOTE.—The following testimony was submitted for the record.]

LETTER FROM JOHN D. KRAMER

Illinois Department of Transportation
Office of the Secretary
2300 South Dirksen Parkway/Springfield, Illinois/62764
Telephone 217/782-5597

April 23, 1982

APR 27 1982

Honorable Mark Andrews, Chairman
Subcommittee on Transportation and
Related Agencies
Senate Appropriations Committee
1406 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Senator Andrews:

Enclosed is testimony on behalf of the State of Illinois concerning supplemental FY 1982 and new FY 1983 appropriations for transportation programs. We respectfully request that this testimony be entered into the record of hearings on this subject.

Illinois has been very pleased with past actions of the Subcommittee, under your leadership, aimed at maintaining and improving our vital transportation network. Given the severe federal budget constraints, we understand that funding decisions have been very difficult to reach and that transportation funding decisions will be even more difficult and challenging next year due to yet more stringent financial constraints. It is particularly important that emphasis be given to the most essential transportation programs -- these programs must be adequately funded to ensure the preservation of our transportation system and to improve the economic health of the nation.

The enclosed testimony highlights those program areas which are critical to Illinois. We urge you to consider these perspectives as you develop recommendations for appropriations.

Thank you for the opportunity to present our views.

Sincerely,

John D. Kramer

John D. Kramer

Enclosure

STATEMENT OF JOHN D. KRAMER

SECRETARY

ILLINOIS DEPARTMENT OF TRANSPORTATION

Illinois appreciates the opportunity to express its views on appropriations for transportation programs. We would also like to express our great appreciation for the past hard work of the Appropriations Subcommittee on Transportation.

Appropriations issues will be particularly difficult and challenging this year given continuing federal budgetary constraints. However, the appropriations for transportation programs are crucial to the preservation of the national transportation system. A viable system is essential for long-term economic recovery. While the available dollars are limited, the needs are great. Our highway system is rapidly deteriorating; further deferring long-needed repairs will result in much greater costs for more comprehensive reconstruction and rehabilitation. Public transportation systems, so crucial in our large, transit dependent cities, are facing severe financial difficulties, with service and ridership declining. The funding crunch has also hit aviation and rail services, affecting the movement of people and goods everywhere. The economic prosperity of this country has, in a large part, been built around an extensive and stable transportation network. Given the tremendous pressures to control spending, it is vital that available resources be directed to those areas of highest priority and greatest need.

There are three transportation program areas of particular concern to Illinois: Interstate transfer, railroad preference share financing, and commuter rail assistance. These programs currently provide funding for some of Illinois' most critical projects. Following is a brief explanation of each program and a description of its needs.

I. Interstate Transfer

The Interstate transfer program enables states and cities that have withdrawn controversial urban Interstate segments to transfer that federal funding commitment to substitute transit and highway projects within the urban area. Funding for the Interstate transfer program has not been sufficient in the past several years to substantially reduce the unfunded balance of transfers, which has remained at roughly $5.5 billion since late 1979. By funding the Interstate transfer program at more adequate levels, the entire cost of the program will be ultimately reduced. The unfunded balance of the program is adjusted quarterly for construction inflation, so more rapid reductions in this balance will lead to greater long-term savings. As the 1986 deadline for having projects under construction draws closer, it is crucial that the program receive sufficient funding to reduce the backlog of unfunded projects and move ahead with these critical transportation improvements.

We deeply appreciate the actions of the Subcommittee on FY 1982 appropriations for transportation which included nearly $150 million in Interstate transfer funds for Illinois. But because this program has been chronically underfunded, Illinois needs an additional $50 million in

supplemental FY 1982 funds to keep pace with our transfer program (developed jointly by the State, City of Chicago, and suburban groups). We are ready and able to move ahead with additional transfer projects, and we urge the Subcommittee to consider this funding as part of an FY 1982 supplemental appropriation for transportation.

For FY 1983, Illinois is requesting $200 to $250 million for substitute highway and transit projects. These levels of funding are essential for the steady completion of our transfer program and will contribute to the reduction of Illinois' large outstanding transfer balance of nearly $2 billion. Illinois' unfunded balance of substitute transit and highway projects is the highest of any state, standing at approximately 35 percent of the national total.

II. Preference Share Program

The preference share program currently provides low interest federal loans for railroad improvements that will enhance the rail transportation network. One of the most important projects receiving assistance under this program is the St. Louis Metro Area Rail Gateway Enterprise (MARGE). The MARGE project involves large scale rail terminal restructuring over several years to achieve significant improvement in the nation's second largest rail freight gateway.

Last year, Congress recognized the importance of this program when it appropriated $67.5 million for FY 1982, with $20-30 million earmarked for the MARGE project. The earmarked amount represents a compromise between $50 million originally approved by the House and $15 million approved by the Senate. However, to assure steady progress on this project, thereby assuring the participation of the railroads and other investors, the MARGE project needs $25 million in supplemental appropriations for FY 1982.

Authorization for the preference share program will expire September 30, 1982. Continuation of the program beyond that date is vital for the success of the MARGE project. Legislation has already been introduced to extend the preference share program. We urge the Subcommittee to recommend continued funding in FY 1983. To fund Stage II of the MARGE project, we will need a total of $55 million in preference share funds. This will require an FY 1983 appropriation of between $30 and $55 million, depending on the level of FY 1982 supplemental funding. This funding commitment would represent a sensible and solid investment of federal dollars; these funds would support a unique government/private sector partnership in a project that would contribute to the economic recovery of the region. The entire nation would benefit from the improved rail transportation system resulting from restructuring of the St. Louis rail gateway, the second largest in the nation. It is also important to note that preference share funds are not grants but loans; these funds will be paid back with interest by the railroads.

III. Commuter Rail Assistance

The Omnibus Reconciliation Act of 1981 authorized $20 million to assist commuter rail services operated over the lines of bankrupt railroads. Illinois was pleased to receive $15

million under this program in FY 1982 to assist commuter operations over the bankrupt Rock Island and Milwaukee Road rail lines. However, a supplemental FY 1982 appropriation of $5 million will help assure the continuation of vital commuter rail services in northeastern Illinois. This additional funding would bring the total FY 1982 appropriation to the authorized program level of $20 million.

I thank you for the opportunity to present Illinois' views on transportation appropriations. I hope our comments will aid in the Subcommittee's difficult decisions on the FY 1982 supplemental and FY 1983 new appropriations.

DOUGLAS COUNTY
ADMINISTRATION BUILDING

301 Wilcox Street
Castle Rock, Colorado 80104
(303) 688-6260

1982 APR 14 AM 11: 39

7 April 1982

The Honorable Mark Andrews
Chairman
Transportation Appropriations Subcommittee
1406 Dirksen Senate Office Building
Washington, D. C. 20510

Dear Senator Andrews:

The Douglas County, Colorado Board of Commissioners has been informed that your subcommittee plans to hold hearings on April 28, 29 and 30 with regard to transportation appropriations for fiscal year 1983. As I believe you have been informed by the Colorado Congressional Delegation, Colorado has a desperate need for funding of its Interstate Transfer Program in the Denver area. Douglas County, a county in the south Denver area, is particularly interested in the funding since it is critical for development of highway C-470 in the northern part of the county.

Although representatives of Douglas County will be unable to attend public hearings in Washington in regard to transportation appropriations for fiscal year 1983, please consider this letter as Douglas County, Colorado support for congressional appropriations to the funding of the Interstate Transfer Program in the Denver area. In an area that is expanding as rapidly as ours, such funding is critical.

Sincerely,

Donald A. Klemme
Director
Department of Administration and Personnel

LETTER FROM STEPHEN A. HOLT

URS
AN INTERNATIONAL PROFESSIONAL SERVICES ORGANIZATION

URS COMPANY
3955 EAST EXPOSITION AVENUE
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DALLAS
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KANSAS CITY
HONOLULU
NEW ORLEANS
SAN MATEO
HONG KONG
BOLIVIA

April 22, 1982

The Honorable Mark Andrews
Chairman
Transportation Appropriations Subcommittee
1406 Dirksen Senate Office Building
Washington, D.C. 20510

APR 23 1982

Dear Senator Andrews:

Your allowing the Colorado delegation time to converse with you and the committee concerning Interstate Transfer Funding Issues is very much appreciated. In order to allow other spokesmen from Colorado the full use of the 15 minutes, I will defer from my oral testimony and submit the following points for consderation to be inserted in the record.

As an executive faced with the ever increasing agony of making more choices with fewer financial resources, I have considerable empathy with the dilemma that both Congress and the Administration are now facing in trying to allocate our scarce tax dollars.

As businessmen, the next few months will probably prove to be some bitter medicine for many of us; however, it is only through a long-term view and a sense of optimism that we will be able to weather these short-term difficulties. Funding for the Interstate Transfer Programs, I feel, is in the same category. However, unless there is a commitment made at this time, to continue with the program, then the optimism associated with the long-term perspective will turn to pessimism. To completely curtail development of our communities' basic facilities such as key transportation linkages will prove far more disruptive to the economic well-being of our nation than coming to grips with some current realities.

A current reality is that there simply isn't enough money available in the general fund to realistically contemplate larger authorizations for this program. Such expenditures appropriately should come from the highway trust fund which is a user-related type of tax. The information I have indicates that the trust fund or the Federal Excise Tax on gasoline earmarked for the trust fund hasn't been increased during a period in which the construction, operation, and maintenance costs of our highway departments have increased 300%. The only realistic way to solve not only the funding problem Colorado has with regard to the interstate transfer projects, but other states as well, is to get this fund category in the trust fund and increase the gasoline tax an additional 10 cents. This would have the effect of placing gasoline prices back to the levels of approximately six months ago to help maintain the conservation ethic. At the same time, it will raise the needed revenue for the states to attempt some catch-up in their programs that have been neglected and underfunded for many years.

Maintaining our mobility relates directly to maintaining our economic vitality. Allowing our total systems to decay and rot is not a way to maintain the well-being of our nation. Your careful consideration of the Colorado delegation's viewpoint is very much appreciated. I wish you and your committee members God-speed in your deliberations.

Respectfully,

Stephen A. Holt, P.E.
President

LETTER FROM RON STONE

National Marine Manufacturers Association
2550 M STREET N.W.
WASHINGTON, D.C. 20037
(202) 296-4588

RON STONE
DIRECTOR
GOVERNMENT RELATIONS

April 23, 1982

MAY - 3 1982

Honorable Mark Andrews, Chairman
Transportation Subcommittee
Senate Appropriations Committee
Room 1406
Dirkson Senate Office Building
Washington, D.C. 20510

Dear Senator Andrews:

The National Marine Manufacturers Association, popularly known as NMMA, the national trade association representing more than 700 manufacturers of recreational marine products, hereby requests that the following statement be entered in the written record for the Subcommittee's May 3 hearing on the Department of Transportation's fiscal year 1983 budget.

NMMA requests approval by the Senate Appropriations Committee of Federal financial assistance to State recreational boating safety and facilities improvement programs.

It is noteworthy that the 1982 Coast Guard Roles and Missions Study, responding to a charge by the House Appropriations Committee for a thorough review of Coast Guard functions to determine which functions should be continued, which might be eliminated, and which transferred elsewhere in the interest of cost efficiency and economy, recommends shifting the primary role in recreational boating safety from the Coast Guard to the States. This recommedation is no unilateral decision. It represents the best thinking of Transportation, the Office of Management and Budget, and the Coast Guard.

Also, President Reagan's budget request for fiscal year 1983 contains $5 million for State boating safety programs. Regrettably, this is only half of the authorized level of funding. Nevertheless, it is a perfect expression of the Administration's "New Federalism" policy of cutting back on Federal government

spending programs and tapping existing revenue sources to enable the States to assume primary responsibility in certain areas.

The resources for funding the States are in place. As NMMA testified before this Subcommittee a year ago, we wholeheartedly support the use of a portion of the existing four cents per gallon Federal tax on fuel used in boats authorized by Public Law 96-451 to provide matching funds to help the States finance their boating safety education and law enforcement programs and improve their boating facilities. The Recreational Boating Safety and Facilities Improvement Act of 1980 allows the recreational boating public to pay their own way without costing the general taxpayer one cent. It follows the precedent set by the highway trust fund for motorists, the Dingell-Johnson Act for sports fishermen, and the Pittman-Robinson Act for hunters.

We feel strongly that the Coast Guard needs the States' assistance in carrying out a proven boating safety program known to be in the best interest of our Nation's receational boating public. The experience with Federal financial assistance for State boating safety programs under the Federal Boat Safety Act of 1971 is dramatic proof. During the seven years that grants were made to the States under that Act, thanks to increased State law enforcement and education efforts made possible by the grants, the boating accident rate was sharply reduced from 20.2 fatalities per 100,000 boats to 9.4 fatalities per 100,000 boats.

Given the full level of marine fuel tax funding authorized by Congress for their recreational boating safety programs by Public Law 96-451, the States assure us that they are capable of continuing to provide the level of service needed for safety enhancement, in most cases without Coast Guard involvement. We ask permission to enter into the hearing record a recent nationwide survey by NMMA of current State boating safety costs, the States' current funding sources, their estimated share of Federal financial assistance in the form of marine fuel tax, the percentage of current Coast Guard involvement in recreational boating safety from State to State,

and a confirmation of whether the States with Federal aid can discharge primary reponsibility for recreational boating safety.

NMMA is sensitive to the difficutly in providing grants for State boating programs as part of the Department of Transportation's budget. We understand that it works as an offset against the Coast Guard's budget. The last thing we want to do is compete with the Coast Guard. On the contrary, the way we see it, making funds available to the States for recreational boating programs can relieve the Coast Guard of most of the responsiblity for boating safety and save the Coast Guard money to spend on its other missions.

What is called for here is a different approach that will provide funds to the States from Federal marine fuel tax revenues without any difference to the Coast Guard's budget. It has been suggested to us that this can be accomplished by converting the grants program under the Recreational Boating Safety and Facilities Improvement Act to contract spending authority, in other words, authorizing the Secretary of Transportation to contract with the States to implement the purposes of the Act. This would require technical changes in the authorizing statute. It also entails amending the FY '83 Department of Transportation appropriations to reflect obligational ceilings that will permit the Secretary to enter into contracts with the States. Spending would still be subject to the authorization process but it would not count against the Coast Guard or the Department of Transportation's total budget.

Last year the Subcommittee opted in favor of full funding of the recreational boating safety side of Public Law 96-451 but did nothing for recreational boating facilities.

We would respectfully remind the Subcommittee that for 16 years under the Land and Water Conservation Act of 1965 hundreds of millions of dollars from Federal tax on fuel used in recreational watercraft was channeled into a dedicated trust fund and dispersed to the States for assistance in building every conceivable kind of outdoor recreation facility. It was the boatmen's grievance with the way their money was spent on hiking trails, bicycle paths, municipal swimming pools and other nonboating

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facilities that led to Public Law 96-451 dedicating $20 million a year from Federal tax on fuel used in boats to genuine boating projects, half for boating safety and half for boating facilities. It is hard to accept that half a loaf, i.e., money for boating safety, is better than nothing at all when you realize that the campaign for capturing boatmen's taxes for boating originated with a recognized well-documented need for more boating facilities. Under Public Law 96-451, if the $10 million a year set aside for boating facilities is not allocated to the States, it reverts to the Heritage Conservation and Recreation Service Fund, the successor to the Land and Water Conservation Fund under which recreational boating was shortchanged on facilities. We implore you to help avoid this travesty.

America's more than 60 million recreational boatmen are counting upon your support for full funding of the Recreational Boating Safety and Facilities Improvement Act. The money is there and it is money paid wholly by boatmen. There will be no inflationary impact and no aggravation of the Federal deficit. Federal financial assistance will relieve the need for new taxes on boating and enable the States to carry on with vitally needed boating safety and facilities programs.

Thank you for your consideration of this testimony.

Sincerely,

Ron Stone

Ron Stone, Director
Governement Relations

NASBLA STATE BOAT SAFETY COSTS SURVEY

STATE	ANNUAL COST ADMINISTERING & ENFORCING BOAT NUMBERING LAW	ANNUAL COST ADMINISTERING & ENFORCING BOAT SAFETY LAWS	ANNUAL REVENUE FOR ADMINISTERING & ENFORCING BOATING LAWS	FUNDING SOURCES (a) BOAT REGISTRATION (b) MARINE FUEL TAX (c) OTHER	EST. REVENUE FROM PL 96-451 (BIAGGI ACT) IF FULLY FUNDED	EST. ADDITIONAL COST TO STATES IF U.S.C.G. SERVICES ARE DISCONTINUED
ALABAMA	$150,000	$1,300,000	$1,400,000	(a) $940,000 (b) $350,000 (c) FINES & SALVAGE $160,000	$200,000	$650,000 ($150,000 FOR SAR; $500,000 FOR AIDS TO NAVIGATION)
ALASKA	State does not have a boating safety law. Any funds expended within broad terms of boating safety come from Coast Guard operating budget. Note: Coast Guard activities are limited to U.S. navigable waters within State.					
ARIZONA	$273,800	$106,400	$497,400	(a) $424,200 (b) WATERCRAFT LICENSE TAX $40,000	$180,000	$300,000
ARKANSAS	$24,000	$99,147.01	$123,147.01	(c) General Revenues $24,000 Game Protection Fund $123,147.01	SAME AS NOW	UNKNOWN
CALIFORNIA	$2,026,000	$2,081,000 STATE FUNDING $6,243,000 LOCAL FUNDING	$4,459,000	(a)	$900,000	UNKNOWN

NMMA STATE BOAT SAFETY COSTS SURVEY

STATE	STATE ALREADY SUBSTITUTES FOR OR SUPPLEMENTS U.S.C.G. BOATING SAFETY SERVICES (YES) OR (NO)	EST. % OF BOATING SAFETY SERVICE NOW PROVIDED BY U.S.C.G. IN THE STATE	COULD STATE PROVIDE ALL NECESSARY BOATING SAFETY SERVICES WITH BIAGGI ACT FUNDS IF U.S.C.G. CEASED FUNCTIONS?
ALABAMA	YES (Secondary channel marking on coastal waters; 50% SAR in coastal waters and 100% inland; 100% enforcement statewide)	5%	YES
ALASKA	State does not have a boating safety law. Any funds expended within broad terms of boating safety from Coast Guard operating budget. Note: Coast Guard activities are limited to U.S. navigable waters within State.		
ARIZONA	YES	NONE	YES
ARKANSAS	YES	NONE	YES
CALIFORNIA	YES (Local agencies provide services including SARs in many areas)	15%	YES (law enforcement) NO (other areas)

NMMA STATE BOAT SAFETY COSTS SURVEY

STATE	ANNUAL COST ADMINISTERING & ENFORCING BOAT NUMBERING LAW	ANNUAL COST ADMINISTERING & ENFORCING BOAT SAFETY LAWS	ANNUAL REVENUE FOR ADMINISTERING & ENFORCING BOATING LAWS	FUNDING SOURCES (a) BOAT REGISTRATION (b) MARINE FUEL TAX (c) OTHER	EST. REVENUE FROM PL 96-451 (BIAGGI ACT) IF FULLY FUNDED	EST. ADDITIONAL COST TO STATES IF U.S.C.G. SERVICES ARE DISCONTINUED
COLORADO	$276,000	$90,000	$288,375	(a) $276,000 (c) BOATING FINES $13,375	$280,000	
CONNECTICUT	$130,000	$350,000	$417,000	(a) $417,000	$294,500	UNKNOWN
DELAWARE	$100,000	$417,000		(a) $287,485	$92,939 FY 81 $95,100 FY 82 $96,000 FY 83	UNKNOWN
FLORIDA	$654,769 (boat numbering & titling)	$2,361,080	$5,042,442	(a) (c) General Revenue - no specific amount for boating matters	$1,000,000+	UNKNOWN
GEORGIA	$167,000	$2,700,000	$3,205,000	(a) $505,000 (c) General Treasury	2% of total or $600,000	UNKNOWN

NMMA STATE BOAT SAFETY COSTS SURVEY

STATE	STATE ALREADY SUBSTITUTES FOR OR SUPPLEMENTS U.S.C.G. BOATING SAFETY SERVICES (YES) OR (NO)	EST. % OF BOATING SAFETY SERVICE NOW PROVIDED BY U.S.C.G. IN THE STATE	COULD STATE PROVIDE ALL NECESSARY BOATING SAFETY SERVICES WITH BIAGGI ACT FUNDS IF U.S.C.G. CEASED FUNCTIONS?
COLORADO	YES	NONE	YES
	(State has only one body of water considered U.S. navigable, i.e., one mile of Navajo Reservoir on Colorado-New Mexico border. Therefore, U.S.C.G. has no jurisdiction for law enforcement in this state.)		
CONNECTICUT	YES	LESS THAN 5%	YES
DELAWARE	YES	10 to 25%	NO (Could not take care of SAR on coastal waters)
FLORIDA	YES (Approximately 5,000 public service missions per year $50,000; law enforcement, $2,361,080; boating improvements, $1,988,388; aquatic weed control, $800,000	UNKNOWN	YES (Inshore; offshore would be limited)
GEORGIA	YES (95% law enforcement; 25% search and rescue)	5% of law enforcement; 15% of research and rescue	YES

NMMA STATE BOAT SAFETY COSTS SURVEY

STATE	ANNUAL COST ADMINISTERING & ENFORCING BOAT NUMBERING LAW	ANNUAL COST ADMINISTERING & ENFORCING BOAT SAFETY LAWS	ANNUAL REVENUE FOR ADMINISTERING & ENFORCING BOATING LAWS	FUNDING SOURCES (a) BOAT REGISTRATION (b) MARINE FUEL TAX (c) OTHER	EST. REVENUE FROM PL 96-451 (BIAGGI ACT) IF FULLY FUNDED	EST. ADDITIONAL COST TO STATES IF U.S.C.G. SERVICES ARE DISCONTINUED
HAWAII	$79,000	$114,000	$108,000	(a) $90,000 (b) $18,000	$76,000	UNKNOWN
IDAHO	$120,000	Different in each county.	$515,000 including facilities maintenance	(a) $120,000 (b) $515,000	$90,000	UNKNOWN
ILLINOIS						
INDIANA	$145,000	$600,000	$411,000	(a) $411,000 (b) GENERAL FUND (as necessary)	$400,000	UNKNOWN
IOWA						

NMMA STATE BOAT SAFETY COSTS SURVEY

STATE	STATE ALREADY SUBSTITUTES FOR OR SUPPLEMENTS U.S.C.G. BOATING SAFETY SERVICES (YES) OR (NO)	EST. % OF BOATING SAFETY SERVICE NOW PROVIDED BY U.S.C.G. IN THE STATE	COULD STATE PROVIDE ALL NECESSARY BOATING SAFETY SERVICES WITH BIAGGI ACT FUNDS IF U.S.C.G. CEASED FUNCTIONS?
HAWAII	YES (25%)	75%	NO
IDAHO	YES (Counties take care of law enforcement with assistance from C.G. Auxiliary)	0%	YES
ILLINOIS			
INDIANA	YES (little assistance except on Lake Michigan)	5 to 10%	YES
IOWA			

NMMA STATE BOAT SAFETY COSTS SURVEY

STATE	ANNUAL COST ADMINISTERING & ENFORCING BOAT NUMBERING LAW	ANNUAL COST ADMINISTERING & ENFORCING BOAT SAFETY LAWS	ANNUAL REVENUE FOR ADMINISTERING & ENFORCING BOATING LAWS	FUNDING SOURCES (a) BOAT REGISTRATION (b) MARINE FUEL TAX (c) OTHER	EST. REVENUE FROM PL 96-451 (BIAGGI ACT) IF FULLY FUNDED	EST. ADDITIONAL COST TO STATES IF U.S.C.G. SERVICES ARE DISCONTINUED
KANSAS	$96,000	$141,000	$278,000	(a)	$340,000	Appr. $5,000
KENTUCKY	$85,000	$1,300,000		(a) $754,134.25	UNKNOWN	Less than $10,000
LOUISIANA						
MAINE	$150,000	$250,000	$360,000	(a)	$360,000	$1,000,000
MARYLAND	$345,000	$1,827,277	$680,000	(a) $580,000 (b) $100,000 Titling tax used for boating safety/education	$1,020,000	NONE

NMMA STATE BOAT SAFETY COSTS SURVEY

STATE	STATE ALREADY SUBSTITUTES FOR OR SUPPLEMENTS U.S.C.G. BOATING SAFETY SERVICES (YES) OR (NO)	EST. % OF BOATING SAFETY SERVICE NOW PROVIDED BY U.S.C.G. IN THE STATE	COULD STATE PROVIDE ALL NECESSARY BOATING SAFETY SERVICES WITH BIAGGI ACT FUNDS IF U.S.C.G. CEASED FUNCTIONS?
KANSAS	YES	5%	YES
KENTUCKY	YES (except aids to navigation)	LESS THAN 2%	YES
LOUISIANA			
MAINE	YES (50% on SAR & law enforcement)	50%	NO
MARYLAND	YES (State has always provided more patrols than USCG)	5 to 10%	YES

NMMA STATE BOAT SAFETY COSTS SURVEY

STATE	ANNUAL COST ADMINISTERING & ENFORCING BOAT NUMBERING LAW	ANNUAL COST ADMINISTERING & ENFORCING BOAT SAFETY LAWS	ANNUAL REVENUE FOR ADMINISTERING & ENFORCING BOATING LAWS	FUNDING SOURCES (a) BOAT REGISTRATION (b) MARINE FUEL TAX (c) OTHER	EST. REVENUE FROM PL 96-451 (BIAGGI ACT) IF FULLY FUNDED	EST. ADDITIONAL COST TO STATES IF U.S.C.G. SERVICES ARE DISCONTINUED
MASSACHUSETTS						
MICHIGAN	$900,000	$2,522,000 state 700,000 local	$3,200,000	(a) 3,200,000	$500,000 per year	UNKNOWN
MINNESOTA	$451,800	$1,375,400 state 591,185 county	$1,035,700	(a) $1,035,700 (b) 450,000 (c) FEDERAL BOAT ACT 71 FUNDS $209,600 GENERAL TAX REV (STATES) $131,900 GENERAL TAX REV (COUNTY) $591,200	$400,000	
MISSISSIPPI	Combined	$712,000	$717,230	(a) $120,000 (b) $500,000 (c) FINES $97,230	UNKNOWN	UNKNOWN
MISSOURI	UNKNOWN	$1,777,702		(c) GENERAL REVENUE $1,777,702	$210,000	UNKNOWN

NMMA STATE BOAT SAFETY COSTS SURVEY

STATE	STATE ALREADY SUBSTITUTES FOR OR SUPPLEMENTS U.S.C.G. BOATING SAFETY SERVICES (YES) OR (NO)	EST. % OF BOATING SAFETY SERVICE NOW PROVIDED BY U.S.C.G. IN THE STATE	COULD STATE PROVIDE ALL NECESSARY BOATING SAFETY SERVICES WITH BIAGGI ACT FUNDS IF U.S.C.G. CEASED FUNCTIONS?
MASSACHUSETTS			
MICHIGAN	YES	10%	YES
MINNESOTA	YES (Considerably, SAR carried out by state and counties everywhere including Lake Superior; Coast Guard aids to navigation limited to Lake Superior and Mississippi River)	2% to 5%	YES (only problem would be Lake Superior)
MISSISSIPPI	YES (Law Enforcement Div. provides all services, including SARs statewide)	5%	YES (except for navigational aids cost on coastal waters)
MISSOURI	YES (State provides all SAR & aids to navigation except on Mississippi and Missouri Rivers)	LESS THAN 1%	YES

NMMA STATE BOAT SAFETY COSTS SURVEY

STATE	ANNUAL COST ADMINISTERING & ENFORCING BOAT NUMBERING LAW	ANNUAL COST ADMINISTERING & ENFORCING BOAT SAFETY LAWS	ANNUAL REVENUE FOR ADMINISTERING & ENFORCING BOATING LAWS	FUNDING SOURCES (a) BOAT REGISTRATION (b) MARINE FUEL TAX (c) OTHER	EST. REVENUE FROM PL 96-451 (BIAGGI ACT) IF FULLY FUNDED	EST. ADDITIONAL COST TO STATES IF U.S.C.G. SERVICES ARE DISCONTINUED
MONTANA	Combined	$ 235,128	$168,703	(a) $29,000 (b) $56,681 (c) $83,002 Fish & Game License fees	$227,000	NONE
NEBRASKA	$28,000	$65,000	$275,000	(a) $275,000	$ 96,000 per year for safety $188,000 per year for facilities	UNKNOWN
NEVADA	$83,902	$284,848	$320,000	(a) $190,000 (b) $130,000 (c) SALE OF USED EQUIPMENT AND CARRY FORWARD FROM PREVIOUS YEAR $48,750	$87,578	NONE
NEW HAMPSHIRE						
NEW JERSEY	$944,714	$1,255,641	$1,106,980	$1,106,980	$230,000	$50,000,000

NMMA STATE BOAT SAFETY COSTS SURVEY

STATE	STATE ALREADY SUBSTITUTES FOR OR SUPPLEMENTS U.S.C.G. BOATING SAFETY SERVICES (YES) OR (NO)	EST. % OF BOATING SAFETY SERVICE NOW PROVIDED BY U.S.C.G. IN THE STATE	COULD STATE PROVIDE ALL NECESSARY BOATING SAFETY SERVICES WITH BIAGGI ACT FUNDS IF U.S.C.G. CEASED FUNCTIONS?
MONTANA	YES	1%	YES
NEBRASKA	YES (law enforcement and search and rescue on Missouri River)	5 to 10%	YES
NEVADA	YES	10%	YES
NEW HAMPSHIRE			
NEW JERSEY	YES 9 Most law enforcement, marking of tributary waters, side channels and bays, SAR on inland waters, safety programs, regatta patrols, &	75%	NO

NMMA STATE BOAT SAFETY COSTS SURVEY

STATE	ANNUAL COST ADMINISTERING & ENFORCING BOAT NUMBERING LAW	ANNUAL COST ADMINISTERING & ENFORCING BOAT SAFETY LAWS	ANNUAL REVENUE FOR ADMINISTERING & ENFORCING BOATING LAWS	FUNDING SOURCES (a) BOAT REGISTRATION (b) MARINE FUEL TAX (c) OTHER	EST. REVENUE FROM PL 96-451 (BIAGGI ACT) IF FULLY FUNDED	EST. ADDITIONAL COST TO STATES IF U.S.C.G. SERVICES ARE DISCONTINUED
NEW MEXICO	$130,121.22	$84,758	$214,877.22	(a) $123,250.22 (c) $91,627 General Fund	$85,000	$108,000
NEW YORK	UNKNOWN	$900,000	$600,000	(a)	$275,000	$300,000
NORTH CAROLINA	$192,000	$272,760	$1,104,595	(a) $797,568 (b) $307,027	$400,000	NONE FOR BOSDETS HOWEVER, STATE COULD NOT ASSUME SAR & AIDS TO NAVIGATION RESPONSIBILITY ON COASTAL WATERS
NORTH DAKOTA	$31,000	$61,000	$86,800 from 3 yr. numbering period	(a) $86,800	$71,000	UNKNOWN
OHIO	$600,000	$1,000,000	$4,000,000	(a) $2,000,000 (b) $2,000,000	$640,000 per year	NONE

NMMA STATE BOAT SAFETY COSTS SURVEY

STATE	STATE ALREADY SUBSTITUTES FOR OR SUPPLEMENTS U.S.C.G. BOATING SAFETY SERVICES (YES) OR (NO)	EST. % OF BOATING SAFETY SERVICE NOW PROVIDED BY U.S.C.G. IN THE STATE	COULD STATE PROVIDE ALL NECESSARY BOATING SAFETY SERVICES WITH BIAGGI ACT FUNDS IF U.S.C.G. CEASED FUNCTIONS?
NEW MEXICO	YES ($36,000 for salaries of temporary boat officers for 5 months)	24%	YES
NEW YORK	YES (State maintains safety patrols on all navigable waters)	30%	YES
NORTH CAROLINA	YES (85% to 90% of law enforcement, plus SARs)	2% to 3% inland waters 50% coastal waters	YES on inland waters NO on coastal waters
NORTH DAKOTA	YES (100% of law enforcement and SAR)	20% (only educational)	YES
OHIO	YES	20%	NOT ENTIRELY

NMMA STATE BOAT SAFETY COSTS SURVEY

STATE	ANNUAL COST ADMINISTERING & ENFORCING BOAT NUMBERING LAW	ANNUAL COST ADMINISTERING & ENFORCING BOAT SAFETY LAWS	ANNUAL REVENUE FOR ADMINISTERING & ENFORCING BOATING LAWS	FUNDING SOURCES (a) BOAT REGISTRATION (b) MARINE FUEL TAX (c) OTHER	EST. REVENUE FROM PL 96-451 (BIAGGI ACT) IF FULLY FUNDED	EST. ADDITIONAL COST TO STATES IF U.S.C.G. SERVICES ARE DISCONTINUED
OKLAHOMA	UNKNOWN	$1,250,000	UNKNOWN	(c) GENERAL FUND $1,250,000	$165,000	CONSIDERABLE on the Arkansas River navigation channel
OREGON	$450,000	$820,000	$1,650,000	(a) $1,650,000	$300,000	$5,000,000 to $10,000,000
PENNSYLVANIA	$269,500	$1,330,000	$2,600,000	(a) $910,000 (b) $1,290,000 (c) INTEREST ON SECURITIES $400,000	$300,000	$500,000 for SAR on Lake Erie, Western Rivers and Delaware River NONE for aids to navigation for recreation
RHODE ISLAND	$60,494	$76,000	$600,000	(a) $150,000 (b) SALES & USE TAX $450,000	$210,000	DOUBLE TO TRIPLE CURRENT BUDGET
SOUTH CAROLINA	$401,342	$1,506,469	$296,301	(a) $296,301 (b) $600,000	$600,000	$200,000

NMMA STATE BOAT SAFETY COSTS SURVEY

STATE	STATE ALREADY SUBSTITUTES FOR OR SUPPLEMENTS U.S.C.G. BOATING SAFETY SERVICES (YES) OR (NO)	EST. % OF BOATING SAFETY SERVICE NOW PROVIDED BY U.S.C.G. IN THE STATE	COULD STATE PROVIDE ALL NECESSARY BOATING SAFETY SERVICES WITH BIAGGI ACT FUNDS IF U.S.C.G. CEASED FUNCTIONS?
OKLAHOMA	YES (except for aids to navigation on Ark ansas River navigation channel)	LESS THAN 1%	YES (except for channel marketing on Arkansas River navigation channel)
OREGON	YES (law enforcement & incidental SAR and navigation aids)	85%	NO
PENNSYLVANIA	YES (nearly 100%. State maintains all recreational aids to navigation and performs most SARs)	LESS THAN 5%	NOT ENTIRELY (heavy water rescue on Lake Erie, Western Rivers, and Delaware River requires equipment beyond state's capability)
RHODE ISLAND	YES (15% to 25% on all services except aids to navigation)	75%	YES
SOUTH CAROLINA	YES (50% law enforcement, 25% SAR, 5% aids to navigation)	15%	YES (on inland waters)

NMMA STATE BOAT SAFETY COSTS SURVEY

STATE	ANNUAL COST ADMINISTERING & ENFORCING BOAT NUMBERING LAW	ANNUAL COST ADMINISTERING & ENFORCING BOAT SAFETY LAWS	ANNUAL REVENUE FOR ADMINISTERING & ENFORCING BOATING LAWS	FUNDING SOURCES (a) BOAT REGISTRATION (b) MARINE FUEL TAX (c) OTHER	EST. REVENUE FROM PL 96-451 (BIAGGI ACT) IF FULLY FUNDED	EST. ADDITIONAL COST TO STATES IF U.S.C.G. SERVICES ARE DISCONTINUED
SOUTH DAKOTA	$20,000	$60,000	$89,250	(a) $89,250	$236,365	NONE
TENNESSEE	$112,426	$440,212	$795,000	(a) $782,500 (c) FINES FROM VIOLATIONS $12,500	$400,000	$60,000 for aids to navigation
TEXAS						
UTAH	$97,497	UNKNOWN	$779,979	(a) $221,585 (b) $558,394	$150,000	NONE
VERMONT	$46,000	$62,000	$62,000	(c) General Fund	UNKNOWN	UNKNOWN

NMMA STATE BOAT SAFETY COSTS SURVEY

STATE	STATE ALREADY SUBSTITUTES FOR OR SUPPLEMENTS U.S.C.G. BOATING SAFETY SERVICES (YES) OR (NO)	EST. % OF BOATING SAFETY SERVICE NOW PROVIDED BY U.S.C.G. IN THE STATE	COULD STATE PROVIDE ALL NECESSARY BOATING SAFETY SERVICES WITH BIAGGI ACT FUNDS IF U.S.C.G. CEASED FUNCTIONS?
SOUTH DAKOTA	YES (Coast Guard has removed all personnel)	5% (educational service)	YES
TENNESSEE	YES (State is perfoming great majority of law enforcement and SARs; Coast Guard provides majority of aids to navigation)	5% for recreational boats	YES
TEXAS			
UTAH	YES (State is already providing most of the services except on Flaming Gorge and Lake Powell where the Forest Service and National Park Service assist)	0%	YES
VERMONT	YES	5%	YES

NMMA STATE BOAT SAFETY COSTS SURVEY

STATE	ANNUAL COST ADMINISTERING & ENFORCING BOAT NUMBERING LAW	ANNUAL COST ADMINISTERING & ENFORCING BOAT SAFETY LAWS	ANNUAL REVENUE FOR ADMINISTERING & ENFORCING BOATING LAWS	FUNDING SOURCES (a) BOAT REGISTRATION (b) MARINE FUEL TAX (c) OTHER	EST. REVENUE FROM PL 96-451 (BIAGGI ACT) IF FULLY FUNDED	EST. ADDITIONAL COST TO STATES IF U.S.C.G. SERVICES ARE DISCONTINUED
VIRGINIA	$225,000	$250,000	$500,000	(a) $480,000 (b) 20,000	UNKNOWN	UNKNOWN
WASHINGTON	State does not have a boating safety law. Any funds expended within broad terms of boating safety come from Coast Guard operating budget. Note: Coast Guard activities are limited to U.S. navigable waters within State.					
WEST VIRGINIA	$110,000	$250,000	$220,000	(a) $220,000 (b) $150,000	$180,00	UNKNOWN
WISCONSIN	$300,000	$500,000	$1,000,000	(a) $422,325 (b) $5 for 2 yrs.	$855,000	
WYOMING	$100,000 for boat numbering		$81,049	(a) $81,049	$150,000	NONE

NMMA STATE BOAT SAFETY COSTS SURVEY

STATE	STATE ALREADY SUBSTITUTES FOR OR SUPPLEMENTS U.S.C.G. BOATING SAFETY SERVICES (YES) OR (NO)	EST. % OF BOATING SAFETY SERVICE NOW PROVIDED BY U.S.C.G. IN THE STATE	COULD STATE PROVIDE ALL NECESSARY BOATING SAFETY SERVICES WITH BIAGGI ACT FUNDS IF U.S.C.G. CEASED FUNCTIONS?
VIRGINIA	UNKNOWN	UNKNOWN	UNKNOWN
WASHINGTON	No state activity, but counties do participate in search and rescue		
WEST VIRGINIA	YES	0%	YES
WISCONSIN	YES (Majority of enforcement and education on all waters; majority of SARs and aids to navigation on inland waters)	5%	YES (except SARs and aids to navigation on Lake Michigan and Lake Superior)
WYOMING	YES	0%	YES

Prepared by:
National Marine Manufacturers Association
2550 M Street, N.W.
Washington, D.C. 20037

LETTER FROM JOHN J. BASIC

BOEING AEROSPACE COMPANY

P.O. Box 3999
Seattle, Washington 98124

M.S. 9F-41
A Division of The Boeing Company

April 28, 1982
2-1031-0000-169

The Honorable Mark Andrews
United States Senate
Chairman, Senate Appropriations Subcommittee
on Transportation and Related Agencies
1406 Dirksen Building
Washington, D.C. 20510

Dear Senator Andrews:

Thank you for the opportunity to include the attached statement in your committee hearing record.

My purpose is to enlist your continued support for the long range research and development programs in the Urban Mass Transportation Administration known as AGRT (Advanced Group Rapid Transit) and MAG-TRANSIT (Magnetic Levitation and Propulsion System).

It is increasingly evident that the future of the urban mass transit industry in the United States deserves serious consideration. In the past decade, there has been a steady increase in the portion of domestic purchases being filled by foreign suppliers. This situation can be remedied by developing new transit systems which emphasize high productivy through technological innovation. While we understand the Administration's goal of reducing and eventually eliminating Federal subsidies for mass transit, we also believe that the future vitality of the American urban transit sector depends to a significant degree on our commitment to long-term research and development.

New technology transit systems can provide local and state entities with the alternatives to provide cost effective affordable transportation in the future.

Your record of support in maintaining these critical technology programs is genuinely appreciated.

Sincerely,

John J. Basic

John J. Basic
Director
Automated Transportation Systems

Attachment

BOEING

STATEMENT OF JOHN J. BASIC

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE, MY NAME IS JOHN BASIC, DIRECTOR OF AUTOMATED TRANSPORTATION SYSTEMS RESEARCH AT THE BOEING AEROSPACE COMPANY. THANK YOU FOR THE OPPORTUNITY TO INCLUDE THIS TESTIMONY IN THE HEARING REPORT.

MY PURPOSE IS TO ENLIST YOUR CONTINUED SUPPORT OF THE TECHNOLOGY RESEARCH AND DEVELOPMENT PROGRAM IN THE URBAN MASS TRANSPORTATION ADMINISTRATION (UMTA) KNOWN AS THE AGRT AND MAG-TRANSIT PROGRAMS.

THE AGRT PROGRAM (ADVANCED GROUP RAPID TRANSIT) IS A CONCEPT IN URBAN TRANSIT CHARACTERIZED BY A NETWORK OF COMPUTER CONTROLLED VEHICLES, ELECTRICALLY POWERED THAT OFFERS THE PROMISE OF LOWER COSTS, BETTER SERVICES AND HIGHER PRODUCTIVITY. THE MAG-TRANSIT EFFORT, A COMPLEMENTARY ELEMENT IN THE AGRT PROGRAM, INVOLVES THE DEVELOPMENT OF NEW PROPULSION AND SUSPENSION SYSTEMS BASED ON MAGNETIC LEVITATION TECHNOLOGY.

ALTHOUGH A RESPONSIBLE CONGRESS ACTED TO SUPPORT THE AGRT AND MAG-TRANSIT PROGRAMS LAST YEAR, THE NECESSARY COMPLIANT SUPPORT FROM UMTA HAS NOT BEEN FULLY IMPLEMENTED. UMTA'S CURRENT TECHNICAL POSITION ON THE AGRT IS UNSETTLED. IN APRIL OF 1981, WE WERE DIRECTED TO FOLLOW A SERIES OF LESSER EFFORTS ON AGRT, ALL OF WHICH EMBODY A REDUCTION IN THE SCOPE OF WORK AND AN EXTENSION OF SCHEDULES. THIS REDIRECTION REQUIRES A CONCENTRATED COOPERATIVE EFFORT FROM THE UMTA TECHNICAL STAFF TO MEET THE GOALS SET FORTH IN LAST YEAR'S LEGISLATION.

IT IS OUR BELIEF THAT THE RECENT EMPHASIS PLACED ON THE ORDERLY CONTINUANCE OF THE PROGRAMS BY CONGRESS WILL ACHIEVE MEANINGFUL RESULTS THAT WILL APPLY TO MANY SECTORS OF THE TRANSIT INDUSTRY.

THE NEED FOR CONTINUED UMTA LONG RANGE RESEARCH & DEVELOPMENT

THE ADMINISTRATION'S CURRENT GOAL IS TO REDUCE AND EVENTUALLY ELIMINATE FEDERAL TRANSIT OPERATING SUBSIDIES. AN ADDITIONAL FUTURE GOAL COULD INCLUDE REDUCTIONS IN FEDERAL CAPITAL OUTLAYS.

THE TRANSFER OF THIS FINANCIAL RESPONSIBILITY TO LOCAL AND STATE GOVERNMENTS WILL BE VERY DIFFICULT. SOME PROVISIONS SHOULD BE MADE AVAILABLE WHICH WOULD PROVIDE LOCAL ENTITIES WITH OPTIONS AND ALTERNATIVES TO PROVIDE COST EFFECTIVE AFFORDABLE TRANSPORTATION IN THE FUTURE.

THERE ARE NO REGIONAL OR STATE TRANSIT AGENCIES ENDOWED WITH THE RESOURCES OR CAPABILITY TO DEVELOP, DEMONSTRATE AND QUALIFY NEW TECHNOLOGY HIGH PRODUCTIVITY SYSTEMS FOR PUBLIC USE. THE MOST THAT CAN BE EXPECTED FOR AN INCREASE IN PRODUCTIVITY ARE SMALL IMPROVEMENTS IN TRADITIONAL HARDWARE AND OPERATIONS.

IT IS RECOGNIZED THAT THE VERY LARGE PUBLIC TRANSIT AUTHORITIES WITH THEIR HUGE FACILITY INVESTMENTS AND ONGOING PUBLIC SERVICE OBLIGATIONS ARE CONSTRAINED FROM MAKING ANY QUICK CHANGES OR DEPARTURES FROM TRADITIONAL OPERATING METHODS AND EQUIPMENT. HOWEVER, IT IS ALSO CLEAR THAT SPENDING MORE TO PROPAGATE CONVENTIONAL SYSTEMS CAUSES AN INCREASED REQUIREMENT FOR OPERATING SUBSIDIES AND IS NOT SOLVING THE LOCAL PROBLEM.

INCREASED PRODUCTIVITY THROUGH NEW TECHNOLOGY DEVELOPMENT AND DEPLOYMENT OFFERS THE POTENTIAL FOR AFFORDABLE EFFECTIVE TRANSPORTATION IN THE FUTURE. PREVIOUS UMTA TESTIMONY AND REPORTS PROVIDED EVIDENCE THAT AUTOMATED GUIDEWAY TRANSIT (AGT) SYSTEMS COULD PAY FOR THEIR OPERATING EXPENSE THROUGH PASSENGER REVENUES AND CONCEIVABLY HAVE SOME REMAINING TO SUPPORT CAPITAL AMORTIZATION. IN 1980. THE OFFICE OF TECHNOLOGY ASSESSMENT PROPOSED AN EXTENSIVE ASSESSMENT REPORT ON THE NEW TRANSIT TECHNOLOGY AGRT (INCLUDING MAGNETIC LEVITATION) PROGRAM. THIS WAS IN RESPONSE TO A REQUEST OF THE HOUSE COMMITTEE ON APPROPRIATIONS. THE REPORT RECOMMENDED CONTINUED DEVELOPMENT OF THE AGRT AND MAGNETIC-LEVITATION TECHNOLOGIES.

THE POTENTIAL OF THE 1981 ECONOMIC RECOVERY TAX ACT HAS NOT YET BEEN FULLY REALIZED. ITS RELEVANCE AND APPLICATION TO NEW TRANSIT SYSTEMS COULD OFFER FINANCIAL BENEFIT TO A COMBINATION OF PRIVATE AND LOCAL GOVERNMENT PARTICIPATION IN THE DEPLOYMENT OF NEW HIGH PRODUCTIVITY TRANSIT SYSTEMS.

ORDERLY DEVELOPMENT AND SELECT DEMONSTRATED DEPLOYMENTS OF CURRENT UMTA R&D PROGRAMS SUCH AS THE ADVANCED GROUP RAPID TRANSIT SYSTEM AND THE MAGNETIC-LEVITATION SYSTEM WOULD PRO-

VIDE EXAMPLES AND WORKING EVIDENCE OF HIGH PRODUCTIVITY TRANSIT SYSTEMS. SEVERAL FOREIGN TECHNOLOGIES OFFER SIMILAR HIGH PRODUCTIVITY BENEFITS. A COOPERATIVE R&D PROGRAM INVOLVING U.S. AND FOREIGN INDUSTRY COULD PROVIDE A TRANSFER OF TECHNOLOGY WHICH MEETS U.S. STANDARDS FOR SAFETY, RELIABILITY, OPERATIONS, MATERIALS, ETC.

THERE ARE MANY URBAN AREAS, MAJOR NEW DEVELOPMENTS AND MEDIUM SIZE CITIES WHOSE FUTURE GROWTH AND LAND USE DEVELOPMENT PATTERNS COULD BENEFIT FROM THE DEPLOYMENT OF NEW HIGH PRODUCTIVITY AUTOMATED TRANSIT SYSTEMS. CONCEIVABLY, THESE DEMONSTRATION DEPLOYMENTS WOULD STIMULATE LOCAL INTEREST AND INDUCE CREATIVE CAPITAL FORMATION TO CONSTRUCT SYSTEMS WITH A MINIMUM OF SUPPORT FROM THE FEDERAL GOVERNMENT.

MAG-TRANSIT - AN EXAMPLE OF UMTA R&D

THIS WILL CITE A SPECIFIC EXAMPLE OF UMTA R&D FUNDS CURRENTLY AT WORK. THE EXAMPLE IS "MAG-TRANSIT" (MAGNETICALLY LEVITATED AND PROPELLED TRANSIT) AND THE BENEFITS CONCERN THE ABILITY TO TRANSPORT PEOPLE AT LOWER COST, HIGH RELIABILITY, GREATER EFFICIENCY, AND MORE COMFORT THAN ANY CONVENTIONAL FORM OF URBAN TRANSIT.

THE EFFECT THAT "MAG-TRANSIT" COULD HAVE ON OPERATIONS AND MAINTENANCE COSTS HAS BEEN PROJECTED AT LEVELS IN EXCESS OF FIFTY (50) PERCENT BETTER THAN CURRENT BUS COSTS. ADDITIONALLY, "MAG-TRANSIT" WILL REDUCE THE NUMBER OF MAJOR MECHANICAL PARTS NECESSARY FOR A TRANSIT VEHICLE BY ALMOST FIFTY PERCENT, THEREBY RESULTING IN MORE RELIABLE SERVICE.

THE FIRST KEY POINT TO NOTE IS THAT WE ARE NOT TALKING ABOUT A NEW INVENTION OR SOME UNATTAINABLE DREAM. MAGNETIC LEVITATION IS "IN-HAND" TECHNOLOGY READY FOR DEVELOPMENT. THERE ARE FIVE (5) MAJOR FOREIGN MAGNETIC LEVITATION PROJECTS THAT HAVE BEEN UNDERWAY FOR YEARS. ONE BRITISH, TWO WEST GERMAN AND TWO JAPANESE. TWO OF THESE SYSTEMS ARE NOW SCHEDULED FOR REVENUE PASSENGER DEPLOYMENT, BOTH OF WHICH WOULD HAVE OPERATING REGIMES SIMILAR TO THE MAG-TRANSIT PROGRAM.

THE MAG-TRANSIT TECHNOLOGY, ORIGINALLY KNOWN AS ROMAG, WAS ACQUIRED FROM ROHR INDUSTRIES IN 1978 BY BOEING WITH ENCOURAGEMENT FROM OFFICIALS IN THE DEPARTMENT (UMTA). IT IS UNIQUE IN THE FIELD OF MAGNETIC LEVITATION TECHNOLOGY IN THAT BOTH

LIFT AND THRUST CAN BE GENERATED AND CONTROLLED FROM A SINGLE LINEAR INDUCTION MOTOR. ITS HISTORY OF DEVELOPMENT ORIGINATES PRIOR TO 1972; THE IMPROVEMENTS MADE TO DATE INDICATE THAT THE UNIQUE FEATURES OF THIS TECHNOLOGY WILL ENABLE THE U.S. TO EXCEL IN THE LOW-TO-MEDIUM-SPEED REGIME PARTICULARLY SUITED TO URBAN TRANSIT NEEDS.

IT IS ALSO APPROPRIATE TO RECOGNIZE THAT MAG-TRANSIT IS NOT A SUBSTITUTE FOR BUT A COMPLEMENTARY DEVELOPMENT TO THE AGRT PROGRAM. ALL THE COMMUNICATION AND CONTROL SYSTEM TECHNOLOGY DONE UNDER AGRT IS DIRECTLY APPLICABLE TO MAG-TRANSIT. THE PROGRAM, THOUGH MODESTLY FUNDED, HAS PROGRESSED WHEREBY KEY HARDWARE COMPONENTS ARE CURRENTLY ON HAND AND THE FIRST HOVER TESTS WILL PROVIDE RESULTS IN LATE 1982. SEVERAL KEY TECHNOLOGY DEVELOPMENTS IN THE AREA OF POWER CONDITIONING USING NEWLY DEVELOPED POWER TRANSISTORS OFFER POTENTIAL NEAR TERM USE IN TRADITIONAL TRANSIT SYSTEM APPLICATIONS.

CONCLUSION

THE BOEING AEROSPACE COMPANY RECOGNIZES THE NEED TO LIMIT GOVERNMENT SPENDING AND REDUCE INFLATION. WE ARE NOT PROPOSING AN INCREASE IN THE UMTA BUDGET. WE ARE, HOWEVER, PROPONENTS OF A STRONG RESEARCH AND DEVELOPMENT EFFORT AS A MEANS FOR THE U.S. TO MAINTAIN ITS COMPETITIVE POSITION IN NATIONAL AND WORLD MARKETS AND AS A KEY ELEMENT IN THE DEVELOPMENT OF OUR NATIONAL TRANSPORTATION SYSTEM.

WE BELIEVE IT IS IMPORTANT THAT A SPECIFIC FRACTION OF THE UMTA R&D EXPENDITURES BE DEDICATED TO LONG RANGE RESEARCH AND DEVELOPMENT OF NEW SYSTEMS WHOSE PRIMARY GOAL IS TO ELIMINATE THE NEED FOR ANY OPERATING SUBSIDIES. IT IS PROPOSED THAT 50% OF THE UMTA R&D APPROPRIATIONS FOR FY'83 AND ON BE SET ASIDE FOR THESE PURPOSES.

THE CURRENT TREND IN UMTA R&D FUNDING IS REDUCING THE MEANINGFUL RESULTS THAT COULD BE GAINED FROM AGRT AND MAG-TRANSIT TYPE RESEARCH AND DEVELOPMENT PROGRAMS. THE CONTINUED CONTRACTION IN NEW SYSTEMS TECHNOLOGY COULD WELL MEAN THE ELIMINATION OF U.S. INDUSTRY FROM THE COMPETITIVE BASE FOR FUTURE AUTOMATED TRANSPORTATION SYSTEMS.

WHEN THE TIME COMES TO BROADEN AUTOMATED TRANSPORTATION SERVICES IN U.S. URBAN AREAS WE MAY BE FACED WITH NO CHOICE EXCEPT FOREIGN HARDWARE. URBAN TRANSPORTATION IS TOO IMPORTANT A PART OF OUR COUNTRY'S FUTURE TO RELY ON EUROPEAN AND JAPANESE TECHNOLOGY FOR ITS GROWTH AND EXPANSION.

THE FOLLOWING PAGES DESCRIBE SOME OF THE TECHNOLOGY RESEARCH AND DEVELOPMENTS NOW UNDERWAY OVERSEAS.

FOREIGN TECHNOLOGY

THE NUMBER OF ADVANCED TECHNOLOGY AUTOMATED SYSTEMS NOW BEING DEVELOPED UNDER GOVERNMENT SPONSORSHIP IN WESTERN EUROPE AND JAPAN REFLECTS A COMMITMENT WORTHY OF EXAMINATION AND UNDERSTANDING. IT IS OBVIOUS THAT OUR OVERSEAS COMPETITORS HAVE LONG RECOGNIZED THAT NEW TECHNOLOGY, SPECIFICALLY HIGH PRODUCTIVITY AUTOMATED SYSTEMS, CAN PROVIDE PART OF THE URBAN TRANSIT SOLUTION. A PARTIAL LISTING OF ADVANCE PROJECTS INCLUDING MAGNETIC LEVITATION AND OTHER AUTOMATED GUIDEWAY SYSTEMS IS PROVIDED BELOW:

FOREIGN MAGNETIC LEVITATION TRANSPORTATION DEVELOPMENTS

GREAT BRITAIN (BRITISH RAIL MAG-LEV)

BIRMINGHAM AIRPORT, OWNED BY WEST MIDLANDS COUNTY COUNCIL IN ASSOCIATION WITH BRITISH RAIL, DEPT. OF INDUSTRY AND THE DEPT OF TRANSPORT, WILL CONSTRUCT A MAGNETICALLY LEVITATED PASSENGER SYSTEM 600 METERS LONG WITH FOUR VEHICLES. PROJECT IS SCHEDULED FOR COMPLETION IN 1984. BRITISH RAIL'S R&D DIVISION SINCE 1973, WITH FINANCIAL ASSISTANCE FROM THE GOVERNMENT DEVELOPED THE VEHICLES ON THE TEST TRACK AT DERBY, ENGLAND. THE DEPARTMENT OF TRANSPORT PROVIDED FUNDING FOR BR'S MAG-LEV DEVELOPMENT AS A CONTRIBUTION TOWARDS A SOLUTION OF URBAN TRANSPORT PROBLEMS, WHILE THE DEPT. OF INDUSTRY IS ANXIOUS TO HELP BRITISH FIRMS TO COMPETE IN WHAT COULD BE A SUBSTANTIAL WORLD MARKET. THE OPERATING REGIMES ARE VERY SIMILAR TO THE UMTA MAG-TRANSIT PROGRAM.

WEST GERMANY (M-BAHN)

WEST BERLIN WILL BE BUILDING THE WORLD'S FIRST MAGNETIC LEVITATION SYSTEM TO PROPEL PASSENGERS ALONG AN ENCLOSED GUIDEWAY. UNDER DEVELOPMENT BY MAGNETBAHN INC. FOR THE PAST TEN YEARS, THE M-BAHN HAS BEEN TESTED ON A DEMONSTRATION FACILITY IN BRAUNSCHWEIG, GERMANY OVER THE PAST FOUR YEARS. THE $25M DEMONSTRATION PROJECT IS LARGELY FUNDED BY A FEDERAL SUBSIDY. THE PLANNING AND BUILDING PHASE WILL RUN FROM 1982 THROUGH 1985. THE PROJECT WILL AIM AT INTEGRATING THE NEW PROPULSION SYSTEM INTO THE BERLIN U-BAHN (METRO) NETWORK. THE OPERATING REGIMES ARE VERY SIMILAR TO THE UMTA MAG-TRANSIT PROGRAM.

WEST GERMAN (TRANSRAPID)

THE GERMAN GOVERNMENT IS CONTINUING ITS SPONSORSHIP OF THE MAG-LEV TECHNOLOGY SYSTEM KNOWN AS "TRANSRAPID". OVER $250M HAS BEEN INVESTED SINCE 1969 AND IS CONTINUING TO COMMIT ABOUT $20M PER YEAR. A NEW 31 KILOMETER TEST FACILITY IS UNDER CON-

STRUCTION AT EMSLAND, GERMANY. A NEW 200 PASSENGER PROTOTYPE WILL START RUNS IN LATE 1983. PREVIOUS TESTS HAVE REACHED SPEEDS UP TO 400 KM/HR.

JNR MAG LEV, JAPAN (ML-500)

THE JAPANESE NATIONAL RAILWAY (JNR) HAS A MAG-LEV TRANSPORTATION SYSTEM IN DEVELOPMENT AT THE MIYAZAKI, JAPAN TEST FACILITY DESIGNATED THE ML-500. SPEEDS UP TO 500 KM/HR HAVE BEEN REACHED. THE SYSTEM IS BEING DEVELOPED AS A REPLACEMENT FOR THE SHINKANSEN (BULLET TRAIN) AND IS SCHEDULED TO BE QUALIFIED FOR DEPLOYMENT BY 1985. THE JAPANESE NATIONAL RAILWAY SYSTEM UTILIZES REPULSIVE MAGNETIC LEVITATION TECHNOLOGY. THE SYSTEM IS LEVITATED AND PROPELLED BY THE INTERACTION OF ONBOARD MAGNETS WITH COILS ATTACHED TO THE GUIDEWAY. THIS REQUIRES SUPER CONDUCTING MAGNETS COOLED BY LIQUID HELIUM.

JAL MAG LEV, JAPAN (HSST)

A MAG-LEV TRANSPORTATION DEVELOPMENT WAS INITIATED BY JAPAN AIR LINES (JAL) AT ITS FACILITY IN KAWASAKI CITY, NEAR TOKYO. THIS SYSTEM IS CALLED HSST (HIGH SPEED SURFACE TRANSPORTATION) AND WAS TESTED AT SPEEDS UP TO 300 KM/HR. FUTURE DEVELOPMENT OF THIS SYSTEM IS CONTINGENT ON RELATIONSHIP AND FUNDING IN ASSOCIATION WITH THE JNR. THE TECHNOLOGY DEVELOPED BY JAPAN AIRLINES EMPLOYS THE ATTRACTIVE MAGNETIC TECHNIQUE FOR LEVITATION UTILIZING ONBOARD DC MAGNETS WITH A SEPARATE AC LINEAR INDUCTION MOTOR (LIM) FOR PROPULSION.

FOREIGN "AGRT" TYPE DEVELOPMENTS

CVS, JAPAN (COMPUTER CONTROLLED VEHICLE SYSTEM)

CVS IS AN AUTOMATED VEHICLE SYSTEM UNDER DEVELOPMENT BY THE JAPAN SOCIETY FOR THE PROMOTION OF MACHINE INDUSTRY. THE VEHICLES ARE DESIGNED TO CARRY 4 SEATED PASSENGERS AT SPEEDS OF UP TO 60 KM/HR (38 MPH). MINIMUM HEADWAY IS PLANNED TO BE 2.0 SECONDS WHEN UTILIZING RELATIVELY HIGH EMERGENCY DECELERATION OF 2.0 G'S. AN EXTENSIVE TEST TRACK (4.5 KM, 2.8 MILES) AND 60 PASSENGER AND FREIGHT TEST VEHICLES ARE IN OPERATION AT THE TOKYO CVS TEST FACILITY. A UNIQUE FEATURE OF THIS SYSTEM IS THE SLOTTED GUIDEWAY STEERING SYSTEM WHICH ALLOWS GRADE CROSSINGS. THE SYSTEM IS DESIGNED AS A VERY TIGHT NETWORK HIGH SPEED AND LOW SPEED SECTIONS WITH STATION STOPS LOCATED AS LITTLE AS 100 M APART.

FRANCE (ARAMIS)

THE RAPT (PARIS, METRO) AND THE MATRA COMPANY OF CLAMART, FRANCE, HAS HAD OVER SEVERAL YEARS, UNDER DEVELOPMENT A VERY SOPHISTICATED AND ADVANCED AUTOMATED TRANSIT SYSTEM CALLED THE "ARAMIS". THE TEST FACILITY IS LOCATED IN ORLY, FRANCE. THE POTENTIAL CAPABILITY OF THIS SYSTEM IS VERY SIMILAR TO THE AGRT RESEARCH PROGRAM CURRENTLY UNDER REVIEW AND EVALUATION BY UMTA. THE "ARAMIS" SYSTEM IS BEING CONSIDERED FOR DEPLOYMENT DEMONSTRATION BETWEEN A PARIS METRO STATION AND A NEARBY ACTIVITY CENTER. KEY TECHNICAL FEATURES OF "ARAMIS" INCLUDE: PROXIMITY SENSORS (ULTRASONIC AND OPTICAL), SWITCHING PATENTS, FOUR WHEEL ELECTRICAL MOTOR DRIVE AND VARIABLE RELUCTANCE DRIVE MOTOR INNOVATIONS.

WEST GERMANY (CABINTAXI)

WITH AID FROM THE GERMAN GOVERNMENT, THE FIRMS OF MANNESMANN-DEMAG AND MESSERSCHMITT-BOLKOW-BLOHM (MBB) DEVELOPED AN ELABORATE HIGH TECHNOLOGY AUTOMATED GUIDEWAY TRANSPORTATION SYSTEM CALLED THE "CABINTAXI". THE TECHNOLOGY IS SOMEWHAT SIMILAR TO THE UMTA AGRT RESEARCH PROGRAM. IT HAS BEEN TESTED AND DEMONSTRATED OVER FIVE YEARS AT THE HAGEN, GERMANY TEST FACILITY. THE SYSTEM IS BEING OFFERED FOR DEPLOYMENT AND SALE IN THE U.S. KEY DEVELOPMENTS INCLUDE: LINEAR INDUCTION MOTOR PROPULSION, SMALL GUIDEWAY, INNOVATIVE SWITCHING, WITH SCHEDULED AND DEMAND MODE OPERATIONS.

STATEMENT OF GENE SPORL

NATIONAL ASSOCIATION OF STATE BOATING LAW ADMINISTRATORS

Mr. Chairman, Members of the Committee, my name is Gene Sporl, Boating Law Administrator of Pennsylvania and Secretary/Treasurer of the National Association of State Boating Law Administrators.

Our Association notes with pleasure that the administration has moved to implement the Recreational Boating Safety and Facilities Improvement Act of 1980 (PL96-451) by including $5 million in the Coast Guard's FY'83 budget request. This law, which passed in the 96th Congress, authorizes the use of a portion of the four cents per gallon tax on marine fuel to be used to help the States finance their Boater Education and Boating Safety Programs. It is the opinion of the National Association of State Boating Law Administrators that this is the most important boating law since enactment of the original Federal Boat Safety Act of 1971. Passage of PL96-451 gave us the authorization. We now need the funding to fully implement the law.

The national trend continues to be a steady increase in registered boats, thus the need for a positive boating safety program has never been greater. Safe and enjoyable boating is our Association's primary goal. We believe that a boater in distress should be rendered assistance by the most expeditious means available. Who conducts the rescue is not important. What is important is that the rescue is made.

Our Association is vividly aware of the Coast Guard's many other responsibilities that a shift in national priorities have placed on the service. We feel the Coast Guard needs the States to augment their search and rescue and boating safety program and we welcome this opportunity. Jointly, the States and Coast Guard can continue a proven boating safety program, known to be in the best interest of our nation's boating public.

Funding, authorized by PL96-451 and as requested in the FY'83 Department of Transportation budget, is considered to be the most effective, the most cost effective, manner to achieve our objective of safe and enjoyable boating for the more than 60 million boaters who use our nation's waterways. We feel that this method of funding is consistant with the administration's philosophy of "new federalism" of letting the

States assume major responsibility wherever possible. Turning primary recreational boating safety responsibility over to the States will relieve the Coast Guard of the expense and help them concentrate on their other missions.

Our Association feels that testimonial of the merits of PL96-451 has been the overwhelming support of the National Boating Federaton, the National Marine Manufacturers Association, Boat Owners Association of the United States, National Association of State Boating Law Administrators, the National Safe Boating Council with its 29 member organization, the prestigious National Boating Safety Advisory Council, boating community leaders and individual boaters. These organizations were united in their efforts to seek out a program that boating's long-term interests would best be served if a steady revenue source was created by which the boating public could pay their own way. What emerged from the 96th Congress was PL96-451.

Our precious national resource "our waterways" not only entices the boating public within our own State boundaries, but also thousands of boaters from neighboring States. Our waterways satisfy the insatiable appetite of sportfishermen, the recreational boating enthusiast and those who desire to leave pressures behind to relax and absorb the tranquility of our waterways and beaches.

Unfortunately, it isn't always "fair winds and following seas" and many times a boater is lured into a false sense of security. Severe thunderstorms with gale force or higher winds can appear on short notice and turn a fun-filled boating outing into a nightmare. Our boaters are not privileged to stop in safety and call a towboat. Many times, they are floundering or drifting helplessly due to sea conditions or mechanical failure and loss of radio. A beautiful sight for a boat in distress is a State or Coast Guard rescue boat to appear on the scene.

On waters of concurrent jurisdiction, our Association believes the States are willing to relieve the overburdened Coast Guard of many aspects of recreational boating safety. In other words, the more the States can do, the less need there will be for Coast Guard involvement and operating expense. Again, we believe the Coast Guard and States can compliment each other in their joint efforts of boating safety.

Mr. Chairman, our Association highly recommends that the $5 million for boating safety that is included in the Department of Transportaton's FY'83 budget request be approved by this Committee. Additionally, we ask that consideration be given to increasing the amount from $5 million to $10 million to allow for full funding of the State boating safety programs as originally authorized by PL96-451.

Mr. Chairman, in summary the National Association of State Boating Law Administrators appreciate the opportunity to provide testimony to your Committee to solicit your support in the implementation of PL96-451 to provide full funding for FY'83.

THANK YOU.

LETTER FROM JOSHUA L. GOTTLIEB

Cape Cod Regional
Transit Authority
275 Mill Way
P.O. Box 318
Barnstable, Massachusetts 02630
617 362 4571

March 30, 1982

Subcommittee on Transportation Appropriations
1406 Dirksen Senate Office Building
Washington, D.C. 20510

To Whom It May Concern:

I urge you to take this testimony into consideration as you debate FY83 funding for UMTA, as well as the broader issue of federal operating assistance for mass transit.

The Cape Cod Regional Transit Authority faces a financial crisis as we approach the next fiscal year. The federal operating assistance provided to CCRTA under Section 18 has been programmed for complete elimination for FY83. During the current year, federal assistance of $241,000 constitutes nearly one fourth of the total operating budget.

Local contributions to transit are now capped by Proposition 2½. The enabling legislation dictates that the State will match the local share. Hence, the State's contribution is effectively capped by a combination of Proposition 2½ and Chapter 161B. Additionally, farebox revenue will double last year's total, and cannot be expected to increase again to the point of significantly filling this funding gap.

The crisis is that the CCRTA, while faced with a quarter of a million dollar cut in funding and inflation-fueled cost increases, is severely restricted by legislation and regulation in its efforts to obtain necessary funds.

What would the consequences be if this gap is not filled? More than one fourth of the service provided to the Cape would have to be eliminated. This could result in:

- Only operating 3½ days per week, or
- Reducing the hours of service to 9:00 A.M.--3:00 P.M., or
- Serving many member towns only 2 or 3 days a week.

When planning for this level of service cuts, it is very important to understand which people are affected by these cuts. Who are the riders of the Cape Cod Regional Transit Authority?

- 2/3 of the riders are elderly (over 60)
- 3/4 have a total family income of under $5,000 per year
- 36% are disabled
- 90% do not have a family car

These are the people that will be hurt, severely, by the impending cuts in service. Elderly people using the bus for trips to the doctor, congregate meal sites, food shopping and anywhere else they need to go. Handicapped people of all ages riding the bus to jobs, supervised workshops, centers for training or medical treatment. People with medical problems riding the bus to kidney dialysis centers, cancer treatment and physical therapy. The working poor, unable to afford a car, riding the bus to work.

The federal government certainly does not bear sole responsibility for providing these people with transportation. Surely, however, the federal government must share in supporting programs which allow all American citizens reasonable access to basic needs and services.

I urge you to support ongoing federal operating assistance for mass transit in both rural and urban areas. However, at the very least, do not rural transit systems deserve the three-year phaseout period for federal assistance which the Administration proposes for the urban systems?

A successful resolution of the serious problems confronting the Cape Cod Regional Trarsit Authority, as well as other Authorities throughout the country, will be achieved only through the cooperative efforts of federal, state and local officials. It is imperative that proper actions are taken now, as we have only a matter of a few months until both time and money run out.

Very truly yours,

Joshua L. Gottlieb

Joshua L. Gottlieb
Administrator

SUBCOMMITTEE RECESS

Mr. HARDIN [presiding]. The subcommittee stands in recess until 2 p.m., Monday, May 3.

[Whereupon, at 12:05 p.m., Friday, April 30, the subcommittee was recessed, to reconvene at 2 p.m., Monday, May 3.]

15-453 O - 83 - 55

DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1983

MONDAY, MAY 3, 1982

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 2 p.m., in room 1318, Everett McKinley Dirksen Senate Office Building, Hon. Mark Andrews (chairman) presiding.

Present: Senators Andrews and Burdick.

NONDEPARTMENTAL WITNESSES

SUBCOMMITTEE PROCEDURE

Senator ANDREWS. The subcommittee will come to order. Today we are going to hear outside witnesses. The first witness is Peter Wold of Wold Engineering, Bottineau, N. Dak. I seem to remember that name.

Mr. Wold, would you come up? Let me tell you that we have a unique little system here of lights. When we put on the lights, as long as the green light is on you are OK. When the red light goes on, you are out of time. I can also assure those of you who will testify that your statement will appear in the record. If you summarize it, then you will have that much more time for questions and answers. So the decision, of course, is up to you.

Mr. Wold, we are glad to have you here. It is good to have an old friend before the subcommittee.

WOLD ENGINEERING, P.C.

STATEMENT OF PETER B. WOLD

Mr. WOLD. Mr. Chairman, thank you for this opportunity to testify before your subcommittee. I am Pete Wold, consulting engineer, speaking in behalf of the Emmons Board of County Commissioners in North Dakota.

This is a history of the road project for which Emmons County, N. Dak., is requesting Federal aid funds under section 155 of the Federal Aid Highway Act for assistance in solving an access road problem to the Oahe Reservoir, Beaver Bay, and Hazelton Recreation Areas.

Prior to the development of the Oahe Reservoir by the Corps of Engineers, the route serving this area was part of the Lewis and Clark Trail—now known as Highway 1804—with a traffic volume of a maximum of 25 vehicles per day. Now, with this route providing access to the east side of Oahe Reservoir and to the Corps of Engineers recreation facilities at Hazen Bay, Beaver Bay, and Badger Bay, the present annual traffic count is 200 vehicles per day.

These recreation areas, developed by the Federal Corps of Engineers, are in a very beautiful area and very popular to the people from many States around North Dakota and to all people in North Dakota for camping, swimming, and fishing. It is my opinion that if these roads are improved that the occupancy of this area will double within a year of completion of the project.

Our justifications for this project are as follows:

The present roadway is a low-grade, narrow county road with poor sight distance due to the hilly terrain and many sharp curves, and there are four small narrow old bridges.

It is frequently blocked with snow during the winter and becomes intolerable during the summer due to rains. Dust from the high weekend traffic drifts onto adjacent cropland and farmsteads.

Five miles of this route are now under severe impact due to the hauling of hundreds of loads of heavy equipment and material being used for the construction of the Northern Border Natural Gas Pipeline that crosses through this area. Extraordinary maintenance costs have strained the county's budget.

County financing available for all road projects comes from a county 5-mill levy for farm-to-market roads. This generates about $60,000 a year.

Federal aid highway funds provide another $50,000 per year. The county has already used its 1982 Federal aid allotment and the available county funds. It would take the county approximately 30 years to complete this project without additional funds.

Support for this project has been received from the following organizations: The United Sportsman, the State Highway Department, the State Game and Fish Department, and the Bismarck-Mandan Reel & Recreation Association. Petitions signed by 1,000 people have been received from both local and Bismarck-Mandan area residents.

The engineer's estimate for this project is $3.5 million. With a 75-percent matching ratio, $2,625,000 of Federal aid funds would be needed.

If there are any questions, I would be happy to answer them.

Senator ANDREWS. Actually, Pete, I think the point you are making is an excellent one. This is another case of these reservoir roads which this committee funded for about $10 million for roads around reservoirs falling in the same general category, I would think.

Mr. WOLD. Right.

Senator ANDREWS. With your experience as an engineer in that area, is that not essentially the impression you have?

Mr. WOLD. Yes, sir; it is.

Senator ANDREWS. We appreciate your statement. It is an excellent one. It will be a great deal of help to the committee. It was good to have you here.

Mr. WOLD. Thank you, sir.

[The statement follows:]

STATEMENT OF PETE WOLD

Mr. Chairman, thank you for this opportunity to testify before your Subcommittee. I'm Pete Wold, consulting engineer, speaking in behalf of the Emmons Board of County Commissioners, in North Dakota.

This is a history of the road project for which Emmons County, North Dakota, is requesting Federal Aid Funds under Section 155, of the Federal Aid Highway Act for assistance in solving an access road problem to the Oahe Reservoir, Beaver Bay, and Hazelton Recreation Areas.

Prior to the development of the Oahe Reservoir by the Corps of Engineers, the route serving this area was part of the Lewis and Clark Trail (known as Highway 1804) with a traffic volume of a maximum of 25 vehicles per day. Now with this route providing access to the East side of Oahe Reservoir and to the Corps of Engineers Recreation facilities at Hazen Bay, Beaver Bay and Badger Bay, the present annual traffic count is 200 vehicles per day.

These recreation areas developed by the Federal Corps of Engineers are in a very beautiful area and very popular to people from many states around North Dakota and to all people in North Dakota for camping, swimming and fishing. It is my opinion, if these roads are improved that the occupancy of these areas will double within a year of completion of the project.

Our justifications for this project are as follows:

The present roadway is a low-grade, narrow county road with poor sight distance due to the hilly terrain and many sharp curves, and there are four small, narrow, old bridges.

It is frequently blocked with snow during the Winter and becomes intolerable during the Summer due to rains. Dust from the high weekend traffic drifts onto adjacent cropland and farmsteads.

Five miles of this route are now under severe impact due to the hauling of hundreds of loads of heavy equipment and material being used for the construction of the Northern Border Natural Gas Pipeline that crosses through this area. Extraordinary maintenance costs have strained the county's budget.

County financing available for all road projects comes from a county 5-mill levy for Farm to Market roads. This generates about $60,000/year.

Federal Aid Highway funds provide another $50,000/year. The County has already used its 1982 Federal Aid Allotment and the available County funds. It would take the county approximately thirty years to complete this project without additional funds.

Support for this project has been received from the following organizations:

United Sportsman
State Highway Department
State Game and Fish Deapartment
Bismarck, Mandan Reel & Recreation Association

Petitions, signed by one thousand people, have been received from both local and Bismarck-Mandan area residents.

The engineer's estimate for this project is $3,500,000.

With a 75% matching ratio, $2,625,000 of Federal Aid Funds would be needed.

LOCATION & TYPE:

1. Project is located in Emmons County, North Dakota.
2. Begins approximately 34 miles south of Bismarck.
3. The project consists of re-grading and bituminous surfacing of 16 and 3/4 miles of county road.

JUSTIFICATION:

1. Route provides access along the East side of the Oahe Reservior to the Corps of Engineers Recreation facilities at Hazelton, Beaver Bay, and Badger Bay.
2. The present Annual Average Traffic Count is 200 vehicles/day which is a considerable increase from the 25 vehicles/day before the reservior was built.
3. The roadway is a lowgrade county road, has many sharp curves, and poor sight distances.

   It is frequently blocked with snow and becomes intolerable during the summer.

   Dust from high weekend traffic drifts onto adjacent cropland and farmsteads.
4. Five miles of this route is now being used to haul hundreds of loads of equipment and material for the Northern Border Pipeline crossing on the Missouri River.
5. Extraordinary maintenance costs have strained the county's budget.
6. County financing available for this project comes from a county 5-mill-levy for Farm to Market roads.

   This generates about $ 60,000/year.

   Federal Aid Highway Funds provide another $ 50,000/year.

   The county has already used its 1982 Federal Aid Allotment and the available county funds.

   It would take the county approximately thirty years to complete this project without additional funds.
7. Support for the Project has been received from the following organizations:

   United Sportsman
   State Highway Department
   State Game and Fish Department
   Bis - Man Reel & Recreation
   One-thousand petitions have been received from both local and Bismarck - Mandan area residents.

COST:

1. The Engineers Estimate for this project is $ 3,500,000.
2. With a 75% matching ratio $ 2,625,000 of Federal Aid funds would be needed.

SUMMARY:

1. The construction of the Garrison & Oahe Reservoirs by the Corps of Engineers has resulted in a trememdous increase in recreation traffic for many states.

2. The construction of access roads to service these areas is beyond the capabilities of North Dakota and the counties.

3. The Congress has recognized the Federal responsibilities to assist for providing for this traffic under Section 155 of the Federal Aid Hwy. Act.

4. This section would provide Federal matching funds for assisting Emmons County in solving their access road problem.

5. The Emmons County Commissioners respectfully request your consideration and assistance in securing Federal Aid to relieve this economic impact.

OTIS ELEVATOR CO.

STATEMENT OF R. H. DONLON, MANAGER

Senator ANDREWS. The next witness is the Otis Elevator Co., Mr. R. H. Donlon, manager.

Mr. Donlon, welcome to the committee.

Mr. DONLON. Thank you, Mr. Chairman.

I am Dick Donlon, the United Technologies senior program manager for AGRT. We appreciate this opportunity, and we certainly appreciate the outstanding support which you and this committee have given to the AGRT program.

I have submitted my testimony in writing, and I will summarize our request to the committee. Before proceeding, however, I would like to pay tribute to Aldo Desimone, the UMTA AGRT program manager who died within the last 2 weeks. Aldo spent most of the last 10 years of his professional career devoted to bringing this program to fruition. This was more than a job for him; he really believed in it, and he wanted to build something which would be an improvement for our society. I am proud to have worked with him and to have been his friend.

Now, Mr. Chairman, what we are asking for is continuation of your support for the AGRT program, and for direction to UMTA to proceed with a reasonable completion of the development phase within their current and projected appropriations. Specifically, it is respectfully requested that the committee fund AGRT to at least $15 million for the two contracts in fiscal year 1983, and direct UMTA to expend these funds.

Second, that the committee direct UMTA to expeditiously come up with a plan to complete the test phase. Within the proposed UMTA budget for 1983, there are no funds for AGRT. The research funds are slated to be spent on what we believe to be product improvements. Now we would not argue that the properties cannot use better equipment. It seems, however, that such things as brake air conditioners, bus air conditioners, and brakes should be the province of the many manufacturers engaged in this industry to do the work on improved performance and reliability.

To the extent that there is a Federal role here, it would seem that it is adequately provided under section 3(a)(1)(c) of the National Mass

Transportation Act of 1964. Certainly we do not think that such product improvements should be used to deprive AGRT of funding and, in effect, to destroy this program.

This is discussed further in my testimony, as is the fact that over the last 2 months there have been severe disruptions to our contract activities by UMTA. This has caused the layoff of 23 percent of our AGRT work force, and further layoffs will be required unless the program is put back on course.

Mr. Chairman, I will be pleased to respond to your questions.

Senator ANDREWS. What has been your experience with UMTA's reorganization regarding the AGRT program?

Mr. DONLON. The experience has been that the office which formerly was responsible for AGRT since its inception was abolished in the reorganization, and the AGRT staff was reduced to one person—namely, the program manager.

Senator ANDREWS. So it just is not there anymore?

Mr. DONLON. It just is not there.

Senator ANDREWS. Is it needed?

Mr. DONLON. It certainly is.

Senator ANDREWS. How does it affect the monitoring done by the agency?

Mr. DONLON. Well, I believe they are at work to restructure that organization since the death of Mr. Desimone. I do not know what the decisions are yet. It has been less than 2 weeks, so we expect to be hearing very soon.

Senator ANDREWS. Thank you very much. Your statement and other additional information will appear in the record at this point.

[The statement and the information follow:]

STATEMENT OF RICHARD DONLON

Mr. Chairman and Members of the Committee, I am Richard Donlon, the Senior Program Manager of the Transportation Technology Division of the Otis Elevator Company, a subsidiary of the United Technologies Corporation (UTC). It is a special privilege to appear before this committee in support of the Advanced Group Rapid Transit (AGRT) Program of the Urban Mass Transportation Administration. We sincerely appreciate the outstanding support provided for AGRT by you and this committee. Above all, we value your vote of confidence in the AGRT Program and its projected benefits for mass transit despite the continuing and persistent efforts by some who would dismantle and eliminate this valuable program.

I am asking for continuation of your support for AGRT and direction to UMTA to proceed toward a meaningful completion of the development phase within the current and projected UMTA appropriations.

Summary of Request

Specifically, it is respectfully requested that the Committee:

1. Fund AGRT at a minimum of $15 million total for the two contractors in fiscal year 1983 with direction to UMTA to expend these funds in 1983 and
2. Direct UMTA to expeditiously submit a budget plan to complete the AGRT development and to follow through on this plan once it is finalized.

UMTA has proposed a $45 million budget in fiscal year 1983 for Research and Training under Sections 6, 10, and 11. As you know, there are no funds for AGRT within this proposal. This money is slated to be used entirely on activities claimed to be of "near term" benefit to transit.

It is urged that the committee carefully scrutinize the specific activities proposed by UMTA under Research and Training to confirm my judgement that there is no "Research" included. Rather, the proposed effort is concentrated on product improvements of components used in existing bus and rail equipment.

Everyone seems to agree today on the importance of research and development if our nation is to regain the technology momentum essential to preserve and expand our economic base. There are differences of opinion on the ultimate amount to spend and who should spend it -- the manufacturer,

the user or the government. Work on components such as air conditioners, brakes and propulsion undoubtedly needs to be done. As we know, transit properties are disappointed when new rolling stock experiences component failure early and often in the life of a bus. The point is that the brake and air conditioner manufacturers have many customers. Surely it it is not unreasonable to expect these manufacturers to develop the improvements which are warranted. To the extent that there is a government role, it is specifically provided under Sec. 3(a) (1) (c) of the Mass Transportation Act of 1964.

On the other hand, no one of the users -- specifically the transit properties -- can afford new systems R&D. The capital support provided by UMTA for mass transit, in effect. means that there is only one customer for a new form of transit system. Such longer term, more advanced R&D, which promises substantial pay-off in saving government funds, seems to fall properly within the logical confines of government R&D; or perhaps, as in the case of AGRT, a government-industry partnership. Certainly the need for component development should not be used to deprive AGRT of funding under Section 6 and to, in effect, destroy this program.

The 1983 R&D budget proposed by UMTA is not consistent with the direction by the Joint Congressional Report in 1981 that the AGRT test loops be built as expeditiously as possible with the objective of showing initial results in 1984. It also is not consistent with the unequivocal support expressed by you, Mr. Chairman, and Chairman Benjamin of the House Subcommittee in your recent March 22 letter to the Secretary of Transportation requesting that the 1982 AGRT funds be expended this year to work toward the 1984 objective.

We, therefore, respectfully request that UMTA again be directed to commit to a plan to complete the AGRT test system. With proper support, Construction can still be completed in 1984 and testing started in early 1985.

The (Administration's) attempt to eliminate the application of new technology to transit ignores the fact that we need something better than fifty year old methods and technologies. While the "existing systems" are moving people, they cannot be operated without subsidy nor can they recover capital investment.

It should be noted that the "existing systems" were losers even before the Federal Government started to "help" in the late '60's. As we know now, the proliferation of these systems has been matched by uncontrolled and unacceptable operating deficits. Shouldn't a federal role be to help devise more effective systems?

As for what is effective, we strongly support Senator D'Amato's position that transit system investment must be evaluated on the basis of life cycle costs. This is normal practice for other industries.

AGRT is the sole UMTA system development program which is directed toward providing better service than bus systems in downtown areas for lower life cycle costs. (See Attachment 1). This will be accomplished through effective automation.

The massive investment being made in the United States today to automate our basic industrial processes is overwhelming evidence of the conviction that automation can reduce the cost of goods and services. Automation is applicable to mass transit in congested areas for the very same reasons - but it must be tested and proven before public use. The AGRT program is structured to provide this verification.

At the beginning of the AGRT program, the government went out and solicited business partners. Boeing and United Technologies were selected as the result of a national competition.

United Technologies accepted the AGRT Test System Contract in 1979 in good faith and committed significant capital funds and facilities to serve the program. Boeing responded in the same way. Even more important, our key, highly skilled engineering resources were assigned with the full expectation that UMTA would follow through on its commitment.

This has not been the case. It is only Congressional support that has kept this valuable program alive. The commitment of the Congress to the AGRT Development was vindicated by an investigation by the Office of Technology Assessment in a report dated January, 1980[1]. AGRT has also been vindicated by at least five past evaluations within the Department of Transportation. Nonetheless, UMTA has persisted in trying to eliminate AGRT.

The monthly spending limitation imposed by UMTA in May, 1980, has

never been removed, despite requests from Congress. This has inhibited the procurement of the key elements essential to the development of the AGRT Test Systems.

A recent drastic interruption has occurred in the program. United Technologies received direction from UMTA in a letter dated March 15, 1982 to make the fiscal 1982 funds last through October 1983. This reduced the average monthly spending rate to less than half of the intended level. The action was taken by UMTA without waiting for a response from the Congress to a letter from the Secretary of Transportation to you, Senator Hatfield and Congressman Benjamin, dated March 10, 1982 in which the funds stretch-out was proposed.

The Secretary's letter was followed in eight days by a letter from the UMTA Administrator to the House Subcommittee Chairman, Mr. Benjamin (copy attached). This letter stated, in effect, that UMTA was obligating the 1982 funds and preserving key program personnel. The letter failed to mention the fact that the contractors had already been directed to stretch the 1982 funds through October in fiscal 1984. For United Technologies, this direction resulted in the immediate layoff of 23% of the work force assigned to AGRT and further reductions will be required unless this direction is rescinded. The recent UMTA testimony indicates that they will comply with your request to expend the 1982 funds this year. The Administrator's letter also failed to mention that the UMTA project staff on AGRT was reduced to one person - the Program Manager, and that the UMTA office which has been responsible for AGRT since its inception, was abolished during March in a reorganization.

Mr. Chairman, your March 22 letter in response to the Secretary's letter on AGRT was absolutely clear. We certainly share your interest in seeing a reply from the Secretary.

The basic premise of the AGRT Program was to proceed with an integrated test system development which could be evaluated by transit properties in real terms. Judgements could be made based on fact rather than speculation or extrapolation.

We believe that this was and still is the most sound approach, i.e., a totally integrated system developed through the prototype stage.

In the time since the start of the contracts, we have accomplished the following key developments:

- A new highly reliable automatic control and safety system approach has been devised using state-of-the-art computers to provide nonstop service. The flexibility and service reliability of this equipment should exceed those of current equipment by a wide margin.
- The design for the linear motor electromagnetic propulsion and braking system was finalized and key components were tested in the laboratory.
- The basic design of the test track has been completed and a 60 acre site is under lease. Construction was originally scheduled to start last year, but was held pending UMTA direction and funding.

We agree with the need for the Administration and the Congress to balance the budget. The AGRT program is directed specifically to this end by partially replacing current modes, i.e., bus and auto with a more cost effective (Attachment 1) and high quality service which should ultimately reduce the need for transit subsidies in congested areas.

I would now like to briefly review the characteristics of AGRT.

AGRT is an automated guideway transit system which will use ten-to-thirty passenger electrically propelled vehicles operating on narrow elevated guideways to serve networks of stations in downtowns and congested corridors. Service can be provided to points within walking distance covering entire downtown areas with guaranteed seating for all passengers. Typical downtown trips will take no more than five minutes. Systems as small as 10-20 single lane miles are feasible with networks being capable of expansion without interruption of existing operations or degradation of service. Most important, AGRT can provide the quality of service required to attract riders from their automobiles and with life cycle costs lower than those of bus systems as illustrated in Attachment 1.

It is estimated that AGRT can attract two and a half times as many riders during rush hour and five times as many riders in off peak hours as bus systems serving the same areas. More important, AGRT vehicles will operate on a demand basis (much like elevators) during off peak periods. This will avoid the most significant problem encountered in bus and light rail systems, that of having large fleets of virtually empty vehicles ser-

vicing routes during off peak periods with the attendant waste of money and energy. A leading independent transit consultant's report[2] shows average O&M costs for existing automated transit systems as about 35% of bus systems and 29% of rail system costs. The automated systems also provide an average 78 percent greater service capacity, in terms of passenger place miles per year, than light rail for an equivalent investment. AGRT can further improve this service capacity advantage by a factor of three-to-five times.

The ability to attract significantly greater ridership because of the network implementation and improved quality of service means that AGRT can provide a cost effective alternative to the bus and rail systems for a lower life cycle cost.

I call your attention to the report from the Office of Technology Assessment issued in January 1980 entitled, "The Impact of Advanced Group Rapid Transit"[1]. This report is strongly supportive of AGRT development as contracted by UMTA in 1979. To quote from the OTA report:

> "Unless cities adopt forms of transportation that require less energy and space, they face a future of greatly increased traffic congestion and reduced mobility. Barring major policy changes, traffic congestion in cities is expected to double between 1975 and 2000. In addition, people dependent on public transportation will find it increasingly difficult to travel, particularly to dispersed suburban job centers where most of the employment growth is occurring."

The OTA Report also states that public transit serves only 2.5 percent of all urban trips, - a sad commentary on the results of our massive investments in public transit.

In addition to the OTA investigation in 1980, there were investigations of AGRT by an internal UMTA Task Force and a Task Force under the Office of the Secretary of Transportation. These investigations also were strongly supportive of the AGRT technology development program.

As you know, the only constituency for R&D in mass transit is comprised of those who genuinely wish to improve the form, attractiveness, performance, and reduce the life cycle costs of public transportation systems.

There is a growing belief in the Congress and in the transit properties that UMTA should spend much more effort on R&D rather than less. I would

like to quote directly from the OTA Report, Reference 1.

"Section 6 of the Urban Mass Transportation Act of 1964 authorized a program of research, development, and demonstration projects to pursue three goals:

1. assist in the reduction of urban transportation needs,
2. improve mass transit service, and
3. minimize cost.

The proportion of the UMTA budget devoted to the search for more competitive transit systems and services remains low in relation to the overall rate of Federal R&D spending. In FY 1979, 5.9 percent of the total Federal budget was allocated to R&D while only 1.8 percent of the UMTA budget was earmarked for the development of new and improved transit systems."

For fiscal year 1983, the proposed budget for Section 6 plus 10 and 11 is only 1.46 percent of the total UMTA budget.

My request is that Congress direct UMTA to restore the funding to complete AGRT within the limit of the appropriated funds, as close to the contract plan as possible. With funding at this level, AGRT can still be visible in initial hardware by 1984 with testing starting in early 1985.

The contracted program expenditure schedule versus the actual expenditures as indicated on Attachment 2 illustrates the financial impact on the program caused by the UMTA actions over the last two years.

Our Corporation has an investment in excess of $13 million in the development of an organization plus the basic technologies required for AGRT. These resources cannot simply be turned off now to be turned on again at some future time. The investment in experience and know how will be lost -- not to mention valuable time especially if the program is downgraded to a component development and improvement program. Data provided by the American Public Transit Association shows 97% of U.S. cities must rely on buses for their sole means of public transportation[3]. The record of the last ten years clearly establishes that the Federal policies that have been implemented, whether intentionally or unwittingly, are assuring that the bus is the only alternative to the automobile in the vast majority of U.S. cities. The record of bus systems is clear. The national average ridership on public bus systems is only

5 percent of the capacity provided on an annual basis[4].

Mr. Chairman, we believe it is time to start turning this situation around.

The urgency for improved public transportation, in the wake of increasing need for subsidies, demands better ways to deliver transit technology. Improvements through increased productivity and reduced life cycle costs can be achieved with the implementation of AGRT systems.

In conclusion, I request the valued support of this Committee not only to continue the AGRT development but to direct UMTA toward completion of the program at a level which will permit deployments in U.S. cities starting in the 1980's. United Technologies Corporation states unequivocally that prototype systems, ready for urban deployment, can be developed and ready within this decade given adequate resource levels and continuity of purpose.

Thank you for your consideration.

REFERENCES

1. Office of Technology Assessment, "Impact of Advanced Group Rapid Transit Technology," January, 1980.

2. N. D. Lea and Associates, Summary of Capital and Operations Cost Experience of Automated Guideway and Maintenance.

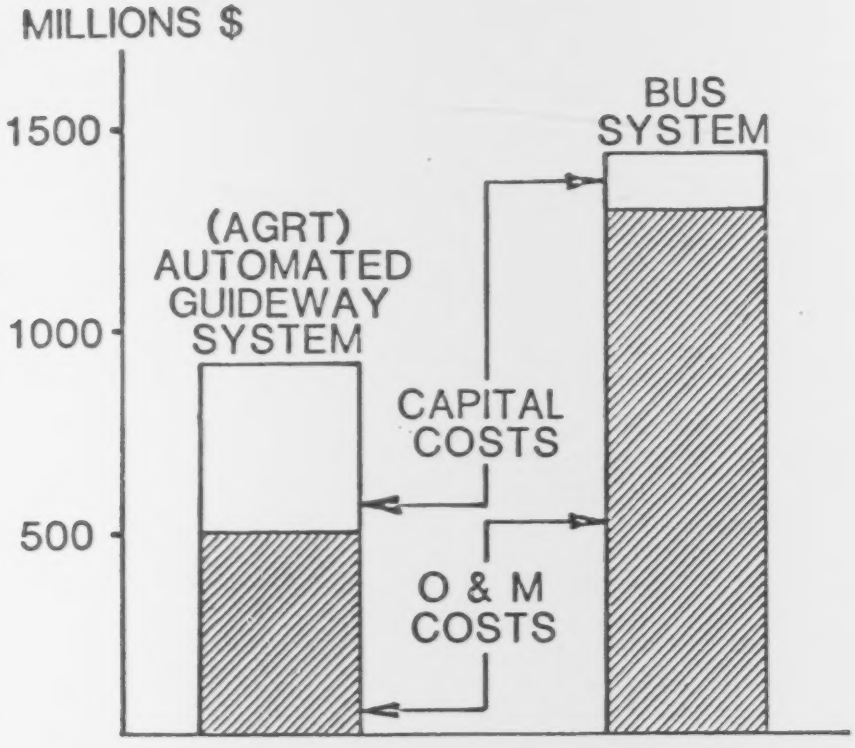
3. Transit Fact Book, 1978-1979 Edition, American Public Transit Association.

15-453 O - 83 - 56

ATTACHMENT 1
Page 1

PRESENT VALUE LIFE CYCLE COSTS

25 MILES – 30 YEAR LIFE
EQUAL PATRONAGE (17600 PPH)



8 % DISCOUNT RATE (MUNICIPAL BONDS)

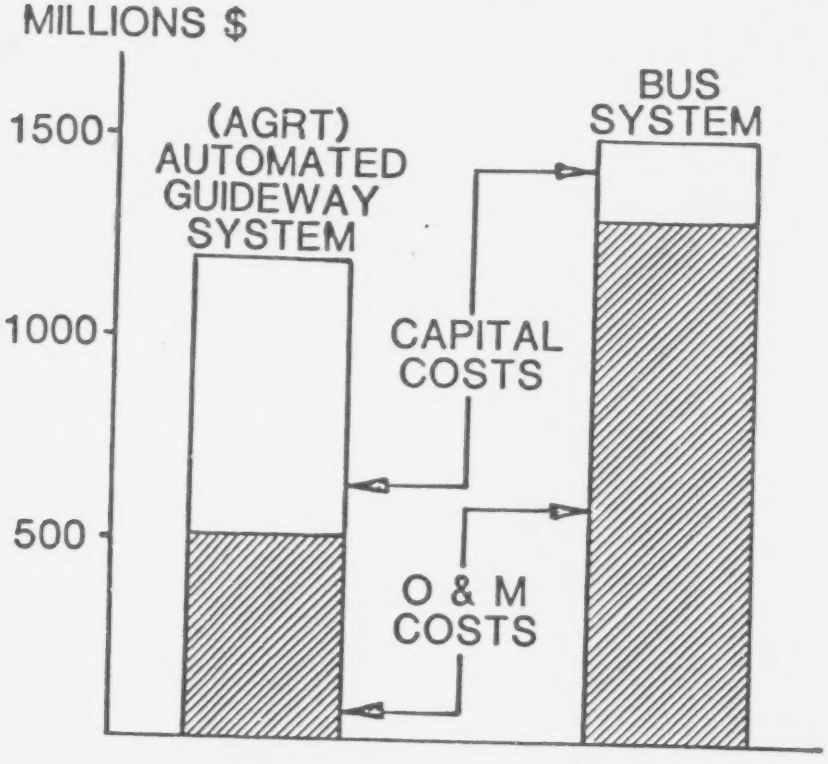
9 % INFLATION

WITH DEPRECIATION DEDUCTION
(VIA LEASE BACK)

ATTACHMENT 1
Page 2

PRESENT VALUE LIFE CYCLE COSTS

25 MILES - 30 YEAR LIFE
EQUAL PATRONAGE (17600 PPH)



8 % DISCOUNT RATE (MUNICIPAL BONDS)

9 % INFLATION

NO DEPRECIATION DEDUCTION

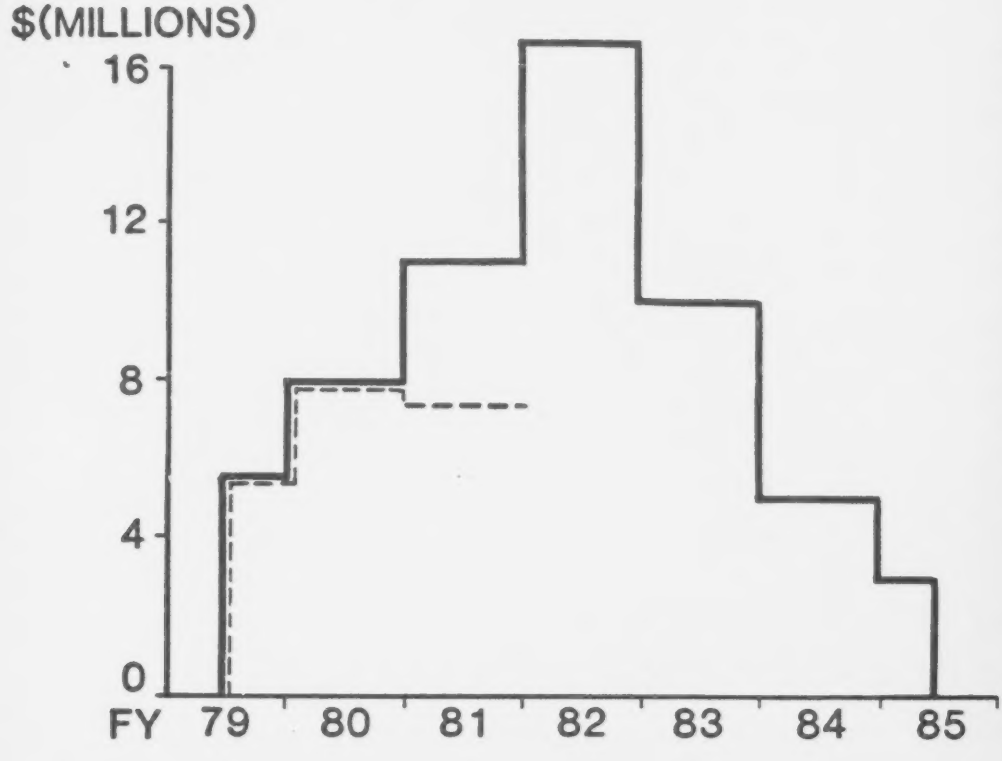
This life cycle cost comparison was based on 100% local financing using 1980 dollars, APTA national average costs for buses, 12 year bus replacement life, $20 million/mile AGRT capital costs; 12 year controls replacement; 20 year vehicle fleet replacement; and Air Trans O&M costs. Alternative discount and inflation rates from 6% to 12% were also evaluated.

ATTACHMENT #2

AGRT FUNDING

PROGRAM FUNDING PLAN (Contracts)

ACTUAL FUNDING



NOTE: For 1982, the appropriation provided approximately $7.5 million for AGRT (about equal to 1981). Actual spending will be closer to 3.5 million unless the UMTA direction to stretch the 1982 funds through October, 1983, is rescinded and new funding is provided for 1983.

LETTER FROM ARTHUR E. TEELE, JR., DEPARTMENT OF TRANSPORTATION

MAR 18 1982

The Honorable Adam Benjamin, Jr.
Chairman, Subcommittee on Transportation
Committee on Appropriations
House of Representatives
Washington, D. C. 20515

Dear Mr. Chairman:

In response to your recent request, I am providing you with the status of the Advanced Group Rapid Transit (AGRT) program. Of the $8.5 million earmarked for AGRT in the Conference Committee Report accompanying PL 97-102, the FY 1982 DOT Appropriations Act, $5 million has already been obligated, another $3 million is in the final stages of the contracting process and is expected to be obligated by the end of this month, and the remaining $500,000 is fully programmed for obligation in keeping with contractual schedules before the end of this fiscal year. In summary, I believe that we are complying expeditiously with the Congressional instructions relative to the AGRT program for FY 1982, noting that the Secretary, in his recent letter to you, has informed you of the difficulty in meeting the Congressionally imposed 1984 deadline for the program.

It is our intention to use unencumbered Section 6 funds recovered through deobligation of unused balances of prior year grants to finance Section 6 administrative expenses. In this way FY 1982 appropriations will be unaffected, and no current programs will be reduced. We have also been mindful of the need to maintain critical staff in order to assure the continued success of all of our programs, and in particular those of substantial Congressional interest, such as AGRT. We have carried out our personnel changes in such a way as to retain key experienced professionals with their invaluable knowledge of the programs.

I hope we have accommodated your concerns and wish to assure you that it is my desire to be responsive to Congressional direction and the economic and urban transportation needs of our country.

Warm regards.

Sincerely,

Arthur E. Teele, Jr.

STATEMENT OF FRED KLEE, CHAIRMAN, DUNN COUNTY COMMISSION

Mr. Chairman, I regret that I am not able to deliver this in person but I hope that having this testimony included in the record will still provide the Committee adequate information on which to base its decision.

I would like to bring to your attention the grading and structural construction needed to upgrade approximately 12 to 16 miles of county road to meet Federal standards. This road provides access to a major recreation facility, the Little Missouri Bay Recreational area, which services not only all of North Dakota, but Montana and South Dakota as well.

The road leading to this recreational area badly needs upgrading. The existing road bed ranges from 20 feet to 24 feet in width. The inslopes are steep, there are numerous vertical curves with restricted site distances, and the horizontal curves are sharp, with some having angles of 90 degrees or larger. The existing design is as low as 5 m.p.h. in places. The site distance both vertically and horizontally is down as low as 5 m.p.h. and therefore is very unsafe. The existing traffic surfacing material is pit run scoria (very soft red material with clinkers up to 3" in size) and is very rough and dusty during traffic peaks.

Another major problem involves the road's condition during rainy periods, both in regard to its surface and drainage problems. There is only a thin section of surface covering which washes away easily, making the road unusable when it rains. In addition, the drainage basins involved vary from 1 to 125 square miles of drainage. The largest area is where the proposed project would cross Spring Creek below Lake Ilo at Dunn Center, North Dakota. The existing Spring Creek crossing has 2 culverts with an overflow for approximately a Q_5 flow. Many of the other culverts are too small and have exceeded their life. Also, water goes over the road in a number of places during rainfalls of 1 inch per 2 hours.

Because the low road profile, shallow ditches, steep backslopes, and narrow ditch sections, the road is unsafe to travel during summer months and impossible during periods of rain and snow, blocking the road at the first average snowfall during the winter months.

There are two major structures to construct, along with numerous minor structures. The project would consist of the acquisition of 150 feet of right-of-way (grading 34 feet in width or wider); replacement of culverts as needed; constructing two major structures; and the placing of a gravel course and

an asphaltic concrete course. A design speed of 50 m.p.h. will be used with several exceptions toward the north end of the project where the terrain is very hilly and steep.

So, Mr. Chairman, this road, as you can see from the pictures I provided your staff and from this testimony, is in bad shape and in need of some assistance. We are appealing to your Subcommittee because the Federal Highway Administration falls within your jurisdiction and we believe that there is a program within the FHWA that may be able to help with our needs.

The Secretary has authority under Section 155 of title 23 United States Code to construct or reconstruct access highways to public recreation areas on lakes. We ask your consideration of our $3.85 million project for funding under this program.

I appreciate the Committee giving us an opportunity to submit this testimony and am at your disposal to answer any questions you may have.

Letter From Dunn County Commissioners

April 22, 1982

Sen. Mark Andrews, Chairman
Transportation Subcommittee
Senate Appropriations Committee
1406 Dirksen Building
Washington, D.C. 20510

Dear Senator Andrews:

In reference to your telephone call the past week concerning the above project I am pleased to report to you the following:

The Little Missouri Recreational Area is still going strong and with the comming summer we anticipate as much or more of a demand for this recreational area. As we mentioned in previous correspondence, there was a high traffic flow in July and August which is the peak along with over 1,000 signatures petitioning for the access road. The road is in dire need of repair and maintenance at this point in time. The road needs re-surfacing, stablizing and alot of blading and maintenance just to put it back into the same condition as it was in the summer of 1981. The traffic will again, I am sure, increase this year as it has during the preceding years.

The boat ramp and rock levee, water system and the rest room facilities are being readied by the Corp. of Engineers for the coming season. The operator is also readying the cafe, trailer park areas, boating and recreational facilities for this coming year.

As the petitions showed, the Little Missouri Area serves people from the entire state as well as Montana and South Dakota. I would again like to emphasize this proposed route is a route directly to and terminating at the named recreational area and Lake Sakakawea. The maintenance and up-keep of this route is a heavy burden for Dunn County to bear and accept. We again ask for a favorable designation of this route as an AHL road and request funding for this needed project.

We would be very pleasedto send a delegate to Washington to testify at your Transporation Appropriations Subcommittee.

Please let me know when you would be able to arrange for us to appear before your committee.

Please do not hesitate to contact myself or our Engineer, MR. M.W. Kadrmas, if you have any questions.

Mr. M.W. Kadrmas
Veigel Engineering, P.C.
P.O. Box 290
Dickinson, ND 58602

Telephone No. 1-701-227-1284

Mr. Fred Klee, Chairman
Dunn County Commission
Dunn County Courthouse
Manning, N.D. 58642

Telephone No. 1-701-938-4267

Attached is a small report along with preliminary costs for the various routes and a map of the area showing the vicinity and the proposed road.

Sincerely,

Dunn County Commissioners

Fred Klee, Chairman

Albert Sickler, Commissioner

Glenn Eckelberg, Commissioner

PRELIMINARY ENGINEERING REPORT

GRADING AND STRUCTURES
FOR
RECREATION ACCESS ROAD INTO THE
LITTLE MISSOURI BAY RECREATIONAL AREA

This report will discuss the grading and structural construction needed to upgrade approximately 12 miles of county road to meet Federal Standards.

The existing road bed ranges from 20 feet to 24 feet in width. The inslopes are steep, there are numerous vertical curves with restricted site distances, and the horizontal curves are sharp, with some having 90° or larger angles.

The existing design is as low as 5 m.p.h. in places. The sight distance both vertically and horizontally is down as low as 5 m.p.h. and therefore is very unsafe. The existing traffic surfacing material is pit run scoria (very soft red material with clinkers up to 3" in size) and is very rough and dusty during traffic peaks. The surface course is also a thin section and is not useable during precipitation or other periods of the summer. The drainage basins involved vary from 1 square mile of drainage or less to 125 square miles (in one case) where the proposed project would cross Spring Creek below Lake Ilo at Dunn Center, North Dakota. The existing Spring Creek crossing has 2 culverts with an overflow for approximately a Q_5 flow. Many of the other culverts are too small and have exceeded their life. Water does go over the road in a number of places during rainfalls of 1 inch per 2 hours.

Because the low road profile, shallow ditches, steep backslopes, narrow ditch sections, the road is unsafe to travel during summer month and impossible during periods of rain and snow, blocking the road at the first average snowfall during the winter months.

There are two major structures to construct, along with numerous minor structures.

The project would consist of acquisition of 150 feet of right-of-way (grading 34 feet in width or wider); replacement of culverts as needed; constructing two major structures; and the placing of a gravel course and an asphaltic concrete course. A design speed of 50 m.p.h. will be used with several exceptions toward the north end of the project where the terrain is very hilly and steep.

Attached you will find the cost estimate along with a location map.

COST ESTIMATE

RECREATION ACCESS ROAD INTO THE
LITTLE MISSOURI BAY RECREATIONAL AREA

PRIORITY NO. 1	11.8 miles	$ 2,650,000.00
	Structures	240,000.00
	TOTAL.....	$ 2,890,000.00
ALTERNATE NO. 1	13.8 miles	$ 3,100,000.00
	Structures	240,000.00
	TOTAL.....	$ 3,340,000.00
ALTERNATE NO. 2	16.5 miles	$ 3,750,000.00
	Structures	75,000.00
	TOTAL.....	$ 3,850,000.00

HELICOPTER ASSOCIATION INTERNATIONAL

STATEMENT OF FRANK L. JENSEN, JR., EXECUTIVE DIRECTOR

Senator ANDREWS. Our next witness represents Helicopter Association International, Mr. Frank Jensen.

Mr. JENSEN. Thank you, Mr. Chairman.

In keeping with your instructions, I will highlight our statement in terms of general topics. In our statement submitted for the record we have discussed each of these general topics with our reasoning for stating what we have stated, and the rationale for our position.

I do want to say before going into these questions, however, or these main points, that the helicopter industry is the fastest growing segment of the civil aviation industry in this country. In the past 10 years it has been increasing at an annual growth rate of 12 percent. Helicopters today contribute tremendously to our economic benefit, and we have indicated in our statement some of the areas in which the helicopters are particularly beneficial.

Now as to our position, we have examined the budget submissions made by the Federal Aviation Administration for fiscal year 1983 presented before the House Appropriations Subcommittee on Transportation on April 20. Therefore we think that our comments on the FAA's budget are current and right up to date.

With respect to cost allocation, we do not concur that 85 percent of the FAA program costs be financed from the Airport and Airway Trust Fund. We strongly urge the Congress to mandate in the FAA appropriation language and/or other legislation as may be appropriate that the public benefit portion of the FAA's annual budget should be considered as being 50 percent, and the civil user portion 50 percent.

This would mean that 50 percent of the FAA's budget would be derived from the general revenues of the Treasury and the other 50 percent from the civil user taxes.

The trust fund should not be used to defray maintenance and operation, or M. & O. costs of the FAA. We strongly feel that the original intent of the Congress in the Airport and Airway Development Act of 1970 should be maintained. That is, that user taxes, moneys out of the airport and airway trust fund should be used only for the specific purposes then stated: Airport development assistance, capital expenditures for airways and air traffic control facilities, and research and development associated with the safety and development of our airport and airway system.

With respect to grants-in-aid for airports, we feel that the $234 million which appears in the FAA budget is inadequate and should be raised to at least $400 million for 1983, including not less than $10 million specifically earmarked for heliport planning and development.

We concur with the FAA's proposal for facilities and equipment in general terms, but we feel it needs to be expanded considerably. We think more emphasis should be placed on providing navigation and communications service for low-level helicopter operations for helicopter activities offshore in remote areas, and about $25 million there should be made available. I do not think it needs to be considered an increase, however, in the F&E proposed allocation.

The research engineering and development program is considered to be significantly underfunded at the requested initial level of $110 million, and even at the proposed later level of $134 million which contemplates increasing user taxes. Furthermore, some additional elements should be added.

We feel that the navigation system that has been in place for nearly 40 years—the so-called VORTAC—has now reached a stage of obsolescence and needs to be replaced. We favor going into a satellite system, and we have outlined some details of what we think the FAA should be looking at in developing advanced navigation and air traffic control systems.

We concur in the need for an advanced computer system as necessary for the implementation of modern air traffic ATC systems. We support the FAA's program in that respect, and we feel it should be integrated into an advanced air traffic control system.

Thank you, Mr. Chairman, for your attention.

Senator ANDREWS. Thank you very much for your statement.

[The statement follows:]

STATEMENT OF FRANK L. JENSEN, JR.

FAA FY '83 BUDGET

Introduction

The Helicopter Association International (HAI) is a non-profit organization founded 34 years ago as the Helicopter Association of America. Today, its membership includes not only the helicopter manufacturers and operators of the United States, but also those of over 30 other countries in the free world. This statement, however, is presented specifically on behalf of the Association's United States constituency.

HAI members operate in the fields of agriculture, airline and air taxi transportation, construction, executive transport, law enforcement, energy exploration, rescue, logging, and in many other civil applications essential to economic development. A more detailed breakdown of these applications is contained in Appendix "A" of this statement.

Currently, there are over 8,000 civil helicopters in operation in the United States alone; by 1990 this fleet is expected to grow to 20,000. The civil helicopter industry is the fastest growing element of civil aviation in this country having an annual growth rate of around 12% during the past ten years. Appendix "B" depicts four major areas in which helicopters play a major role in today's society: Quality of Life, Economics, Public Safety, and National Security. Potential dollar benefits to the United States are visualized as totaling something in the order of $19 billion annually, plus highly important additional national security benefits (source: NASA Ames Research Center).

The statement which follows sets forth the views of this Association with respect to the FAA's FY '83 budget estimates as presented before the House Appropriations Subcommittee on Transportation on April 20, 1982. Our position on certain elements of concern to this Association is briefly stated in each instance, followed by an appropriate discussion. Absence of any contrary comment on a subject indicates concurrence with or no objection to the relevant FAA position. In general, we support the basic aims and objectives of the FAA's FY '83 budget proposal, subject to the comments outlined in this statement.

COST ALLOCATION

We do not concur that 85 % of the FAA program costs be financed from the Airport and Airway Trust Fund.

1. In any assessment of airport/airway user taxes to be levied directly on civil aviation, due consideration should be given to the general public benefits derived from having a reliable national air transportation system. Our air transportation system should be recognized as a national asset, which must be preserved at all costs in the national interest. Punitive or burdensome direct user taxes on the civil aviation community could lead to serious degradation of this system. They also could lead to a diminishing demand for aircraft by users, which, in turn, would impact negatively on our aircraft manufacturing industry and result in loss of this country's leadership in the world-wide field of civil aviation.

2. It should be recognized that the national airport/airway system operated by the Federal Aviation Administration serves the common civil/military air traffic mix as specifically provided for in the Federal Aviation Act of 1958. Civil user charges for this system should not be based solely on the ratio of any current civil/military traffic count, but also on the potential military value of the system in time of national emergency as well as its continuing national security and general public benefits.

3. During the past decade a number of studies have been conducted under the auspices of the Department of Transportation and others as to what should be the "public benefit" share of the FAA's budget. These have ranged from the DOT's finding of "no unique public benefit" to more than 50 percent as evidenced by actual distribution of general revenue and user tax revenue as approved by the Congress from time to time in the past. We consider that now is the time for this question to be definitely settled as we move, presumably, into the second decade of airport/airway user tax legislation.

4. Therefore, we strongly urge the Congress to mandate in the FAA appropriation language and/or other legislation as may be appropriate, that the public benefit portion of the FAA's annual budget shall be considered as being 50 percent and the civil user portion 50 percent. This would mean that 50 percent of the FAA's budget would be derived from the general revenues of the Treasury and the other 50 percent from civil user taxes.

5. Once this principle is firmly established, it would then be a matter

of simply reviewing FAA's budget periodically to determine the amount to be raised from direct civil user taxes. If, at the end of each review period, the uncommitted balance is projected to be more than the reserve amount stipulated by the user tax legislation, user taxes would then be reduced accordingly.

6. Assuming that the 50 - 50 principle is established along the lines outlined, it is obvious that some sort of formula is needed to determine the allocation of the 50 percent civil user tax portion of the FAA budget as between the different components of the civil aviation user community. In this context, I should like to point out some basic considerations which I believe should be considered in developing such a formula:

a) All scheduled airline flights operate at all times within the FAA's air traffic control system. They always fly in IFR (Instrument Flight Rules) flight plans and are subject to IFR separation criteria in all weather conditions, good or bad. They are major users of the system. To a larger extent, the federal airport and airway system has been developed specifically to meet the needs of scheduled airlines. I am not criticizing this situation at all. I am merely pointing it out as a fundamental factor in considering the distribution of user taxes within the various segments of the industry.

b) General aviation, the other basic segment of the civil aviation users, has many variations as to its needs for, and use of, the FAA traffic control system. Some, such as business aircraft, use the system in the same manner as do the airlines. Others, such as private flyers, may not use it at all. In the case of helicopter operators, we may not use any FAA facilities in remote area and many offshore activities. In other helicopter applications, such as in business/corporate operations, we may use the airport/airway system fully, or just partially.

c) With the foregoing facts in mind, the following distribution of taxes within the civil aviation industry would appear to be reasonable:

* 70 percent of the 50 percent civil aviation portion of the FAA's budget (35 percent of the total budget) to be recovered from airline ticket taxes and air freight waybill taxes; and

* 30 percent of the 50 percent civil aviation portion of the FAA's budget (15 percent of the total budget) to be recovered

from general aviation fuel taxes and perhaps certain excise taxes.

(Note: The HAI intends to support the above position at all appropriate hearings during this session of Congress.)

TRUST FUND

The Trust Fund should not be used to defray maintenance and operation (M & O) costs of the FAA.

1. The Trust Fund should be used only to defray FAA costs as provided in the Airport and Airway Development Act of 1970, i.e., funding aid for airport/heliport development (ADAP), capital expenditures for airways and air traffic control facilities (F & E), and research and development (R & D), and associated demonstration projects.

2. The Airport and Airway User Trust Fund should be removed from the Unified Federal Budget so that withdrawals will not be considered as expenditures chargeable against the general budget of the Treasury.

3. The FAA should be authorized and directed to transfer to NASA funds allocated to it from the Trust Fund in the field of R & D, in cases where NASA may be equipped and staffed more efficiently to carry out specific R & D tasks.

4. Additionally, airport/airway trust funds should be made available to provide investment incentives (or alternatively provide for user tax credits) to encourage civil aviation users to acquire advanced airborne air traffic control equipment which will contribute to increased safety and efficiency in the national air transportation system.

GRANTS-IN-AID FOR AIRPORTS

The FAA's appropriation should be increased from its proposed $234 million to at least $400 million, including not less than $10 million for heliport planning and development.

1. In view of the forecast increases in general aviation activity, more emphasis should be given to the development of general aviation reliever airports. By the same token, a comprehensive national program should be commenced to encourage the provision of public service airports.

FACILITIES AND EQUIPMENT

We concur in general with this program, subject to some expansion.

1. Recommend that more emphasis be given to providing navigation and communication service for low level helicopter operations. Also for helicopter activities offshore and in remote areas.

2. Appropriate navigation aids (both enroute and in terminal areas) are needed to provide for helicopter discrete routings and instrument approaches to facilitate helicopter and fixed wing aircraft separation in high density traffic mixes.

3. It is estimated that approximately $25 million would be adequate for these purposes in FY '83. This amount presumably could be made available by reallocations within the requested F & E $425 million.

RESEARCH, ENGINEERING, AND DEVELOPMENT

This program is considered to be significantly underfunded at the requested initial level of $110 million and even at the proposed later level of $134 million (contemplates increased user taxes). Furthermore, some additional elements should be added.

1. A new, modern navigation system is needed to replace the VOR/DME (VORTAC) system. The HAI believes that this new system should be based on the use of satellites to provide highly accurate navigation capability, down to the surface, without altitude limitations and with global coverage.

2. The Navstar Global Positioning System (GPS) now being implemented by the U.S. Department of Defense appears to have attractive possibilities for providing a common civil/military navigation system that could serve as the core element of an advanced (Fourth Generation) Air Traffic Control System. To have such a system in place and operational by the early to mid-1990's, however, the FAA needs to initiate a comprehensive test and evaluation program now.

3. Therefore, it is recommended that the Air Traffic Control and Navigation Programs be increased by a total of $7 million, broken down as follows:

a) Concept Validation of Civil Application of Navstar/GPS 5,000,000

(GPS 4-D area navigation, differential GPS, airborne separation assurance, data link communications, automatic position reporting)

b) Communications (especially for helicopter low-flying and remote operations)	750,000
c) Advanced ATC System based on Distributed Management Concepts as between controller and pilot	600,000
d) Zero-Zero Helicopter Approach and Landing Capability	650,000
	$ 7,000,000

4. It is recommended that the Aviation Weather Program be increased by $500,000 to improve techniques for ice detection and icing conditions forecasting, particularly for helicopter operations.

5. New items should be added with respect to helicopters totaling $10.5 million, broken down as follows:

a) All-Weather Heliport Development	400,000
b) Helicopter IFR Certification (including improved propulsion technology for single engine out (SEO) operation)	1,800,000
c) Helicopter Anti-Icing/De-Icing Capability	2,700,000
d) Helicopter Noise, Vibration, Emission Pollution Reduction	5,000,000
e) Helicopter Crashworthiness	600,000
	10,500,000
Total R, E & D increase	$ 18,000,000

(Note: It is considered that a number of foregoing projects or portions thereof could be assigned advantageously by the FAA to NASA accompanied by an appropriate transfer of funds.)

6. We concur in the need to develop an advanced computer system as necessary for the implementation of a modern air traffic control (ATC) system. The FAA's approach to consult with the aviation industry users of the present and any future system (those who pay the user taxes) is applauded. We support FAA Administrator Helms' National Airspace Review plan as a way to achieve this consultation. For the record at this point, we wish to make a few brief observations on the FAA's computer modernization program which we hope will be helpful both to the FAA and the Congress.

a) In order to carry out its computer modernization (replacement) program effectively, the FAA should embark upon a <u>total</u> program to increase the safety and productivity of the entire air traffic system. This productivity increase can best be realized by an integrated approach which effectively utilizes the current and advanced state of the art in computer and

display technology in consonance with an integrated communication/navigation and identification concept. The appropriate functional analyses should be conducted to develop man-machine interfaces, as well as air/ground interfaces. The end result should be a smoothly operating system which allows the controller to function as a system manager.

b) The complexity of the computer system and the need for system level allocations of functions, development responsibilities, integration and testing, argue for the need to provide for both design and integration functions.

c) The system contractor must develop a strong understanding of all external interfaces and he must identify all required functions within the system. He must decompose these functions according to the growth requirements. He must have a deep understanding of the levels of automation and methods of automation desired by the FAA in the future. He must perform tradeoff studies to analyze various partitioning schemes between hardware, software, firmware, and man-machine interface. He must define partitioning of functions within the above categories. These partitionings are strongly influenced by the availability and fault tolerance requirements of the system.

d) Finally, the systems contractor will need to develop various plans such as transition, logistics, maintenance, and training. He must also demonstrate the growth capability of the system for its expected duration, with the objective of having virtually an unlimited growth potential.

e) These basic concepts, if carried out effectively, should be very helpful to the FAA in executing its program for "rebuilding/modernizing" the air traffic control system.

In conclusion, the Helicopter Association International will be most pleased to cooperate with and assist the Federal Aviation Administration and the Congress in any way within our resources with the modernization of the U.S. ATC System.

APPENDIX "A"

HELICOPTER APPLICATIONS

A broad categorization of the services provided by helicopters in the national interest involves Quality of Life, Economics, Public Safety, and National Security. The more detailed breakdown which follows amplifies this categorization:

15-453 O - 83 - 57

1. PUBLIC SERVICE

   a. Law Enforcement

      *Drug
      *Security/Surveillance
      *Search
      *Patrol/Observation
      *Pursuit
      *Command Post/Crowd Control
      *Pollution Control
      *Transport (people)

   b. Public Safety

      *Emergency Medical Service (EMS)
      *Fire Rescue/Fighting
      *Search (lost people)
      *Water Area Patrol
      *Traffic

   c. Disaster Warning/Relief/Rescue

      *Flood
      *Frost/Freeze/Snow
      *Large Scale Mountain Timber Fires
      *Shipwreck
      *Other: Hurricane, Tornado, Earthquake,
              Landslide, Avalanche, Drought, Volcano

   d. Search & Rescue

      *Mountain
      *Ocean
      *Aircraft Accidents

   e. Wildlife Management

      *Animals/Fish

   f. Enivronmental Surveys

      *Fish/Oil/Dams

   g. Environmental Transport

      *Poles/Wires/Pipe/Cable/Construction

      *Transport (people)

2. PUBLIC TRANSPORTATION

   a. Scheduled

      *Large
      *Medium/Small

   b. Non-scheduled

      *Large/Medium
      *Small (Air Taxi)

3. CORPORATE/EXECUTIVE TRANSPORTATION

   a. Part 91

      *People
      *Cargo/Mail

4. ENERGY EXPLORATION/PRODUCTION

   a. Offshore Support

   b. Pipeline Laying

c. Powerline Laying

d. Aerial Surveys

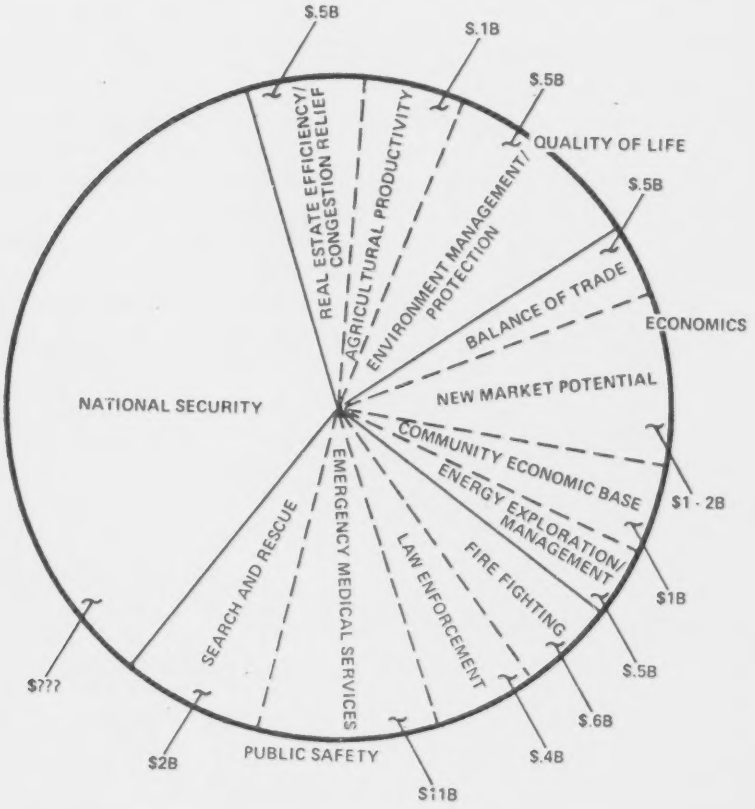
5. CONSTRUCTION

a. Crane

b. Cargo

Appendix B

SUMMARY
ESTIMATES OF POTENTIAL ANNUAL ECONOMIC BENEFITS OF ADVANCED ROTORCRAFT TECHNOLOGY



TOTAL POTENTIAL ANNUAL BENEFIT

$19.1 BILLION + $ NATIONAL SECURITY

Senator ANDREWS. Senator Burdick?

Senator BURDICK. I have no questions of the witness.

Senator ANDREWS. Do you have any other comments you would want to make?

Senator BURDICK. I do have a comment on another matter.

Senator ANDREWS. Fine.

Senator BURDICK. Mr. Chairman, I am here to present testimony and supporting documentation on behalf of the Barnes County, N. Dak., Commissioners who are seeking $400,000 to fund a portion of an access road to Lake Ashtabula Recreation Area.

Work on the Lake Ashtabula Road Project began in 1977, and thus far $2,180,000 has been expended, of which I am told $1.7 million was appropriated by this subcommittee. There are 7½ miles remaining in this 25-mile project, and the total project cost is now projected at $3.38 million. However, the Barnes County Commissioners at this time are requesting funds to grade and surface a 2½-mile alternate tie-in which will complete the road on the west side of the lake. The remaining 5 miles is on the eastern side of the lake, and I am told that funds for that portion will be requested in later fiscal years.

Mr. Chairman, I ask unanimous consent that the balance of my statement be made a part of the record.

Senator ANDREWS. It certainly will. We appreciate your excellent statement, and are privileged to have my senior colleague with us.

[The statement follows:]

STATEMENT OF SENATOR BURDICK

RE: BARNES COUNTY, NORTH DAKOTA, REQUEST FOR ROAD PROJECT FUNDING

MR. CHAIRMAN:

I AM HERE TO PRESENT TESTIMONY AND SUPPORTING DOCUMENTATION ON BEHALF OF THE BARNES COUNTY COMMISSIONERS WHO ARE SEEKING $400,000 TO FUND A PORTION OF AN ACCESS ROAD TO THE LAKE ASHTABULA RECREATION AREAS.

WORK ON THE LAKE ASHTABULA ROAD PROJECT BEGAN IN 1977 AND THUS FAR $2,180,000 HAS BEEN EXPENDED, OF WHICH I AM TOLD $1.7 MILLION WAS APPROPRIATED BY THIS SUBCOMMITTEE. THERE ARE 7½ MILES REMAINING IN THIS 25-MILE PROJECT, AND THE TOTAL PROJECT COST IS NOW PROJECTED AT $3.38 MILLION HOWEVER, THE BARNES COUNTY COMMISSION AT THIS TIME IS REQUESTING FUNDS TO GRADE AND SURFACE A 2½ MILE ALTENATE TIE-IN WHICH WILL COMPLETE THE ROAD ON THE WEST SIDE OF THE LAKE. THE REMAINING 5 MILES IS ON THE EASTERN SIDE OF THE LAKE AND I AM TOLD THAT FUNDS FOR THAT PORTION WILL BE REQUESTED IN A LATER FISCAL YEAR.

YOU MAY RECALL, MR. CHAIRMAN, THAT LAKE ASHTABULA IS A CORPS OF ENGINEERS PROJECT WHICH RESULTED FROM THE CONSTRUCTION OF BALDHILL DAM ON THE SHEYENNE RIVER IN THE EASTERN CENTRAL PORTION OF NORTH DAKOTA. THERE ARE ABOUT SEVEN RECREATION AREAS ON THE LAKE MANAGED BY THE CORPS AND LAST SUMMER THE CORPS COUNTED MORE THAN 98,000 VEHICLES ABOVE AND BEYOND NORMAL TRAFFIC WHICH WERE USING THE ACCESS ROADS TO THE LAKE.

MR. CHAIRMAN, I AM AWARE OF YOUR PERSONAL COMMITMENT TO COUNTIES AND TOWNSHIPS THAT HAVE SACRIFICED THOUSANDS OF ACRES TO FEDERAL PROJECTS AND ARE NOW SEEKING ASSISTANCE TO PAY FOR THE ROADS LEADING TO THE RECREATION AREAS ASSOCIATED WITH THE PROJECTS. I HOPE YOU WILL JOIN ME IN SUPPORT FOR THIS RELATIVELY SMALL, BUT IMPORTAT PROJECT TO THE CITIZENS OF BARNES COUNTY.

TELEGRAM FROM MARTIN LARSON, CHAIRMAN, BARNES COUNTY COMMISSIONERS

AT A SPECIAL MEETING APRIL 28 1982 THE BARNES COUNTY COMMISSIONERS DISCUSSED THE IMPORTANCE OF COMPLETING THE ACCESS HIGHWAY PROGRAM INITIATED IN 1976 BY SENATOR YOUNG. PRESENTLY 2 1/2 MILES ARE LEFT TO BE COMPLETED ON THE WEST SIDE OF LAKE ASHTABULA AND FIVE MILES ARE REMAINING ON THE EAST SIDE OF LAKE ASHTABULA. THE 2 1/2 MILES WEST OF LAKE ASHTABULA WILL LINK ALL OF THE WEST ACCESS ROADS. WE WHOLEHEARTEDLY REQUEST THAT YOU SUPPORT OUR PROJECT. THANK YOU FOR YOUR HELP IN THE PAST AND YOUR CONSIDERATION ON THIS PROJECT. RESPECTFULLY

MARTIN LARSON CHAIRMAN W R HANSEN COMMISSIONER LESTER ABRAHAM COMMISSIONER F J VANDROVEC COMMISSIONER
RICHARD BULTEMA COMMISSIONER JOHN WINDISH HIGHWAY SUPERVISOR ROGER O LEE CONSULTANT

1303 EST

BARNES COUNTY (N. DAK.), COUNTY COMMISSIONERS

1976	-	Original contact with Senator Young
	-	Petitions from County and Townships regarding cost of maintenance of County & Township roads due to the Corps of Engineers recreation area.
July 1977	-	Estimated Cost $1.5 Million
	-	Senate Appropriations Committee approved $750,000
Aug. 1977	-	Amendment for $750,000 was part of Transportation Bill.
	-	Public Law 95-85
Jan. 1978	-	Federal Highway Administration Concurrence on location
Sept. 1978	-	F.H.W.A. Clearance on environment
Oct. 1978	-	Sen. Young - Sen. Birch Bayh Subcommittee on Transportation
Nov. 1978	-	Revised estimate $2.4 Million
March 1979	-	1st Grading Contract $0.33 Million
March 1979	-	Request Additional Funds
June 1979	-	Revised estimate to $3.26 Million
July 1979	-	Req. to Sen. Young
Feb. 1980	-	Additional $950,000 Allocated
April 1980	-	2nd Grading Contract $ .36 Million
June 1980	-	1st Bituminous Surfacing Contract $0.77 Million
April 1981	-	2nd Bituminous Surfacing Contract $0.66 Million
Summer 1982	-	Seal Coat Contract $0.06 Million

Expended to Date	$2.18 Million
Received Federal Aid	.950
	.750
	1.700
County Funds	.480
	2.180

Remaining to be completed:

3rd Grading AHL-02(4)	$ 0.40 Million
3rd Bituminous Surfacing	$ 0.88 Million
	$ 1.28 Million

Alternate Tie In On West Side Only

Grading	$ 0.125 Million
Surfacing	$ 0.225 Million
	$ .350 Million

LETTER FROM ROGER O. LEE

March 2, 1979

The Honorable Senator Milton Young
United States Senate
Senate Office Building
Washington, D. C.

Dear Senator Young,

In re Barnes County, North Dakota
AHL-02(3)(4)(5)

Barnes County Commissioners requested that I write you regarding your conversation with Mr. Dick Hanson on February 22, 1979. The County Commissioners and the Township are greatly appreciative of your efforts on their behalf in funding for the access roads to Lake Ashtabula. They have expressed their thanks for all your help. The problem that the County and the Townships face at this time are the inflationary costs since the concept of the project, right-of-way acquisition, fence moving, and relocation of utilities.

As you are well aware, over seven thousand acres of land was obtained by the federal government to build Bald Hill Dam and Lake Ashtabula. The tax base for the Lake Ashtabula area was reduced by over seven thousand acres. Many of the land owners who lost land during the construction of the dam are the same people required to lose more land for road right-of-way.

The problem that has developed is that the majority of the land owners want and need this project; however there are a few parcels that will require condemnation. The County has proceeded with obtaining right-of-way per Department of Transportation guidelines. The approximate cost for the right-of-way is $80,000. Fence moving and the moving of utility lines are an additional expense that the County will have to pay.

The County is losing (7,000 acres X $1.50) approximately $10,500 in taxes each year because of Lake Ashtabula. The loss of the tax base plus the influx of tourist traffic result in problems for the townships. Each township obtains between $4,000 - $6,000 per year in taxes. With these funds they have to grade, gravel, and maintain their road system, and snowplow in the winter. Normally all their funds are used in maintenance. With all the additional traffic, the cost of maintenance becomes so great that some townships have had to abandon roads because of heavy maintenance cost.

The County problems are similar to the Township's problems, and with the higher cost of all phases of construction, snowplowing, and maintenance, the County is in financial trouble. The County Commissioners, on receiving the good news from you regarding the first allotment of $750,000 of the $1.5 million for the Lake Ashtabula access road program, bonded the County for 1% of the assessed valuation which is allowed by N. D. Century Code providing the Federal Aid share is at least 70%. The problem that the County has is that they have bonded to their limit which is approximately $400,000. The original program was estimated at a cost of $2.0 million.

Since the original program the cost of construction has increased along with the additional cost of right-of-way, fence moving, and utility moving. It is expected that the total project will cost about $2.4 million for completion. The County has bonded itself to the limit of $400,000 which leaves a net balance of $2.0 million. Deducting the $750,000 already allocated it would appear that the County will need an additional $1.25 million to complete this project. The County has let the first grading portion and has scheduled the next portion for letting in May, 1979 pending receipt of additional funds. The total design has been completed. It is estimated that if funds are available the total project would be graded during the 1979 construction season, and bituminous surfacing would be completed during the 1980 construction season.

If additional information is needed or if you have any questions please contact me at any time. A complete cost breakdown can be compiled if you need the information. Thank you for the help that you have given to the County in the past, and we are grateful for your efforts on behalf of Barnes County and North Dakota.

Respectfully,

BARNES COUNTY

Roger O. Lee

Roger O. Lee, R.P.E.
Consulting County Engineer

LETTER FROM ROGER O. LEE

June 27, 1979

Mr. Henry Wisness
Secondary Roads Engineer
ND Highway Department
Highway Building
Bismarck, ND 58505

RE: Barnes County ✓
AHL-02(05)

Dear Sir:

I have enclosed a copy of estimated cost for bituminous surfacing for the above referenced project for your review. We have estimated a construction cost of $ 2,430,089.53 based on current bid prices.

Original Estimated Costs		
Grading	$ 1,100,000	
Bituminous Surf.	$ 1,300.000	
	$ 2,400,000	
Revised Estimated Costs		
Grading AHL-02(02)	$ 253,000	
Grading AHL-02(03)	$ 287,000	
Grading AHL-02(04)	$ 290,000	
Bituminous Surfacing AHL-02(05)	$ 2,431,000	
TOTAL	$ 3,261,000	
Federal Share		$ 2,445,750
Allocation to date		$ 1,500,000
		$ 945,750

During a telephone conversation with Mr. Wallace Burger, U.S. Senate Appropreations Committee, I told him that $ 858,000 additional federal aid would be required; however it appears that it will be necessary to request $ 950,000 in order to complete this project. Mr. Burger would like concurence on these estimated costs from Mr. George Seaworth.

Yours truly,

L.W. Veigel & Company, P.C.

Roger O. Lee

LETTER FROM ROGER O. LEE

The Honorable Senator Milton Young
United States Senate
Senate Office Building
Washington, D.C.

July 2, 1979

Dear Senator Young,

RE: Barnes County, North Dakota
AHL-02(3) (4) (5)

On behalf of the County Commissioneers of Barnes County, I would like to thank you for your assistance and help obtaining funding for Lake Ashtabula access roads.

The first grading segment is now under construction and the contractor has completed 20% of the work. Present plans are to let the remainder of the grading projects in the August 1979 State Highway Dept. letting. We hope to have the bituminous surfacing portion of the project let either late this year or during the first letting in 1980. We have been receiving excellent cooperation from Mr. Henry Wisness, N.D. State Highway Dept. and Mr. George Seaworth, Federal Highway Administration and appreciate their assistance.

As you are aware the cost of construction has increased considerably these last few months due to the price and availability of fuel and asphalt. Based on prices of recent lettings held by the State Highway Department new project cost have been estimated. These estimates are considerably higher than the original estimated and have increased since the last update in March. I have enclosed copies of estimated projects cost and a copy of a letter to Mr. Wisness, Secondary Roads Engineer, North Dakota Highway Dept. It appears that approximately $ 900,000 in additional federal aid will be required to complete this project.

In February 1979 on one of the county bid lettings the price of asphalt (AC-200-300) was $105 per ton, today the price has increased to $155 per ton. With these runaway asphalt prices the future for bituminous surfaced highways is uncertain.

It is apparent that without your help in securing additional funding we will not be able to complete this project. It is our hope that you will be able to obtain this additional funding for our County project. Once again we would like to thank you for your efforts on behalf of Barnes County.

Respectfully,

L. W. VEIGEL & COMPANY, P.C.

Roger O. Lee, R.P.E.

BROWARD COUNTY, FLA.

STATEMENT OF MARCIA BEACH, DIRECTOR, GOVERNMENTAL AFFAIRS

Senator ANDREWS. Our next witness will be Marcia Beach, director of governmental affairs. You may proceed.

Ms. BEACH. Thank you, Mr. Chairman.

I am the chairperson of the Broward County Commission. Broward County is the second-largest county in the State of Florida. It has been the fastest growing metropolitan area in Florida, and in fact during the last decade in the United States. While the rest of the country was growing at a rate of 11 percent, in Broward County we increased by 64 percent. Our census in 1970 was 626,000; today we number over 1 million.

Statistics reveal that it has been the fastest growing metropolitan county in the country during that period. The county's economy became stable and diversified, characterized by tourism, electronics, and retiree services.

All of these growth areas depend heavily of course upon air passenger and cargo service. Virtually all projections indicate that Broward will continue to prosper and grow. These factors compelled Broward County to employ the principles of sound planning, and to examine rapidly developing needs for expansion of the Fort Lauderdale-Hollywood International Airport.

Our annual traffic at Fort Lauderdale-Hollywood International Airport has increased from 1 to 6 million passengers since the early seventies, and our facilities will have to be able to handle over 15 million passengers per year by 1995. We have been growing very rapidly, and we anticipate continuing to grow.

Fort Lauderdale is drastically undersized for our present needs, and I believe that the Senior Senator from Florida who serves on this subcommittee can speak to that. Senator Chiles travels into our area regularly, and I am certain that he can speak personally to the undersize and the problems at Fort Lauderdale-Hollywood Airport.

In 1975 our county undertook a comprehensive study of its options for the development of Fort Lauderdale, and particularly the airport's commercial passenger terminal facilities. A national team of experts was commissioned to examine all of the alternatives for the development of Fort Lauderdale, and to prepare a new terminal complex concept to develop an airport master plan which would meet all FAA and local standards.

Already the FAA has approved the new master plan. The environmental impact statements have been approved, and the local development of regional impacts has been cleared, as well. The architectural plans are now in the working/drawing stage. Some 25 percent of the land acquisition that is necessary for the airport expansion has been accomplished, and the board of county commissioners has continued to be very supportive of the project; and we have, in fact, already approved the revenue bond sale for the project.

The FAA has indicated that the Fort Lauderdale expansion is now its No. 1 priority for Florida. The significant expansion of Fort Lauderdale is thus already well underway. Of special interest—particularly to this subcommittee—is that the airport expansion is developing in tandem with the plans for the building of I–595, a major east-west leg of the Interstate Highway System which will link I–75 on the west side of Broward, the Florida Turnpike, U.S. 441, I–95, and U.S. 1, the last being relocated in conjunction with the airport's eastward expansion.

I–595 will continue eastward to nearby Port Everglades, the largest seaport between Norfolk and New Orleans, and one of the few ports capable of berthing such large ships as the Queen Elizabeth II.

With the airport, I–595, the noted north-south arterials, the Florida East Coast Railroad, and Port Everglades as well, the Fort Lauderdale expansion promises to complete a multimodal air-land-sea transportation complex unparalleled in the United States, and perhaps the world, and we are very proud of the total project that is ongoing at that site.

Of course the expanded airport that is already underway will require significant funding. Fort Lauderdale has historically been a generous contributor to the ADAP trust fund, and I think this is most significant. We estimate our contributions to have totaled approximately $194 million since the fund's inception. Fort Lauderdale has received back from it, however, only approximately $24 million.

I see the red light is on.

Senator ANDREWS. That is right.

Ms. BEACH. OK.

Senator ANDREWS. You made an excellent statement. You are well aware that your written statement will appear in its entirety in the record. With Senator Chiles, being a very valued member of the subcommittee, you have no lack of strong support on the subject.

Ms. BEACH. Thank you very much, Senator.

Senator ANDREWS. Thank you for coming.

[The statement follows:]

STATEMENT OF MARCIA BEACH

DURING THE 1970'S, BROWARD COUNTY EXPERIENCED A PHENOMENAL GROWTH RATE. WHILE THE POPULATION OF THE UNITED STATES INCREASED BY 11 PERCENT, BROWARD'S POPULATION INCREASED BY 64 PERCENT. STATISTICS REVEAL IT TO HAVE BEEN THE FASTEST GROWING METROPOLITAN COUNTY IN THE COUNTRY DURING THAT PERIOD. THE COUNTY'S ECONOMY BECAME STABLE AND DIVERSIFIED, CHARACTERIZED BY TOURISM, ELECTRONICS AND RETIREE SERVICES, ALL OF WHICH ARE HIGHLY DEPENDENT ON EFFICIENT AND CONVENIENT AIR PASSENGER AND CARGO SERVICE. VIRTUALLY ALL PROJECTIONS INDICATE THAT BROWARD WILL CONTINUE TO PROSPER AND GROW. THESE FACTORS COMPELLED BROWARD COUNTY TO EMPLOY THE PRINCIPLES OF SOUND PLANNING AND EXAMINE RAPIDLY DEVELOPING NEEDS FOR EXPANSION OF FORT LAUDERDALE-HOLLYWOOD INTERNATIONAL AIRPORT (FLL). OUR ANNUAL TRAFFIC HAS INCREASED THERE FROM 1 TO 6 MILLION SINCE THE EARLY 1970'S, AND OUR FACILITIES WILL HAVE TO BE ABLE TO HANDLE OVER 15 MILLION PASSENGERS PER YEAR BY 1995. FLL IS DRASTICALLY UNDERSIZED FOR OUR PRESENT NEEDS, LET ALONE THE GROWTH WE KNOW WILL OCCUR IN THE FUTURE. WE ASK THIS SUBCOMMITTEE AND THE CONGRESS TO BEAR IN MIND THESE NEEDS AND THE PLAN I SHALL DESCRIBE AS YOU CONSIDER APPROPRIATIONS FOR THE AIRPORT DEVELOPMENT ASSISTANCE PROGRAM.

IN 1975, BROWARD COUNTY UNDERTOOK A COMPREHENSIVE STUDY OF ITS OPTIONS FOR THE DEVELOPMENT OF FLL AND PARTICULARLY THE AIRPORT'S COMMERCIAL PASSENGER TERMINAL FACILITIES. A NATIONAL TEAM OF EXPERTS WAS COMMISSIONED TO EXAMINE ALL OF THE ALTERNATIVES FOR THE DEVELOPMENT OF FLL, TO PREPARE A NEW TERMINAL COMPLEX CONCEPT STUDY AND TO DEVELOP AN AIRPORT MASTER PLAN WHICH WOULD MEET ALL FAA AND LOCAL STANDARDS. WE BELIEVE THAT THE PRODUCT OF THAT STUDY IS A FULLY VIABLE PLAN WITH FEATURES THAT MAKE IT FASCINATINGLY UNIQUE.

ALREADY, THE FAA HAS APPROVED THE NEW MASTER PLAN. FEDERAL ENVIRONMENTAL IMPACT STATEMENTS AND LOCAL DEVELOPMENT OF REGIONAL IMPACT STATEMENTS HAVE BEEN CLEARED. ARCHITECTURAL PLANS ARE INTO THE WORKING DRAWINGS STAGE, AND IN MARCH OF THIS YEAR, THE AIRPORT LEASED TO THE FAA AN AREA FOR A NEW AIR TRAFFIC CONTROL FACILITY. SOME 25% OF THE LAND ACQUISITIONS FOR THE AIRPORT'S EXPANSION HAVE BEEN ACCOMPLISHED, AND THE BOARD OF COUNTY COMMISSIONERS HAS ALREADY AUTHORIZED THE SALE OF REVENUE BONDS FOR THE PROJECT. THE FAA HAS INDICATED THAT THE FLL EXPANSION IS NOW ITS NUMBER ONE PRIORITY FOR FLORIDA. THE SIGNIFICANT EXPANSION OF FLL IS, THUS, ALREADY WELL UNDERWAY.

OF SPECIAL INTEREST, PARTICULARLY TO THIS SUBCOMMITTEE, IS THAT THE AIRPORT EXPANSION IS DEVELOPING IN TANDEM WITH THE PLANS FOR THE BUILDING OF I-595, A MAJOR EAST-WEST LEG OF THE INTERSTATE HIGHWAY SYSTEM WHICH WILL LINK I-75 ON THE WEST SIDE OF BROWARD, THE FLORIDA TURNPIKE, U.S. 441, I-95 AND U.S. 1, THE LAST BEING RELOCATED IN CONJUNCTION WITH THE AIRPORT'S EASTWARD EXPANSION. I-595 WILL CONTINUE EASTWARD TO NEARBY PORT EVERGLADES, THE LARGEST SEAPORT BETWEEN NORFOLK AND NEW ORLEANS AND ONE OF THE FEW PORTS CAPABLE OF BERTHING SUCH LARGE SHIPS AS THE QUEEN ELIZABETH II. WITH THE AIRPORT, I-595, THE NOTED NORTH-SOUTH ARTERIALS, AND FLORIDA EAST COAST RAILROAD AND PORT EVERGLADES AS WELL, THE FLL EXPANSION PROMISES TO COMPLETE A MULTI-MODAL AIR/LAND/SEA TRANSPORTATION COMPLEX UNPARALLELED IN THE UNITED STATES AND PERHAPS THE WORLD.

OF COURSE, THE EXPANDED AIRPORT AS IS ALREADY UNDERWAY WILL REQUIRE SIGNIFICANT FUNDING. FLL HAS HISTORICALLY BEEN A GENEROUS CONTRIBUTOR TO THE ADAP TRUST FUND. WE ESTIMATE OUR CONTRIBUTIONS TO HAVE TOTALLED APPROXIMATELY $194,000,000

SINCE THE FUND'S INCEPTION. FLL HAS RECEIVED BACK FROM IT, HOWEVER, ONLY APPROXIMATELY $24,000,000. WHILE WE CLEARLY RECOGNIZE OUR OBLIGATION TO HELP PROVIDE FUNDING FOR AIRPORTS SMALLER THAN FLL, WE NEVERTHELESS BELIEVE THAT BROWARD COUNTY NOW MERITS ITS OPPORTUNITY FOR FUNDING FOR ITS BADLY NEEDED, CAREFULLY PLANNED AND UNIQUELY LOCATED AIRPORT EXPANSION.

FIRST AND FOREMOST, FOR THE MUTUAL GOOD OF FLL AND THE OTHER AIRPORTS WITHIN OUR NATION'S AIR TRAFFIC SYSTEM, WE SUPPORT A REENACTMENT OF ADAP LEGISLATION. THE AIRPORT OPERATORS COUNCIL INTERNATIONAL (AOCI) ADVISES US THAT IF ADAP IS ALLOWED TO LAPSE, FLL WILL BE THE THIRD HARDEST HIT AIRPORT -- IMMEDIATELY BEHIND LAGUARDIA AND ATLANTA, EVEN THOUGH WE HAVE JUST REACHED 26TH ON THE LIST OF PASSENGERS SERVED, NOW SURPASSING CLEVELAND.

MOREOVER, THE ADMINISTRATION'S PROPOSED LEVEL FOR ADAP FUNDING IS SIMPLY TOO LOW. WE DEFER, OF COURSE, TO THE CONGRESS AS TO WHAT THE APPROPRIATE LEVEL OF FUNDING SHOULD BE, BUT WE POINT OUT AGAIN THAT FLL'S NEEDS ARE CURRENT, ARE VITAL TO OUR AREA'S GROWTH AND ECONOMY AND HAVE BEEN PRIORITIZED BY THE FAA. RECOGNIZING THAT OTHERS TOO HAVE IMPORTANT NEEDS, WE BELIEVE IT READILY APPARENT THAT THE SUGGESTED $450,000,000 FIGURE CANNOT SUSTAIN THEM ALL.

WE HAVE CALCULATED OUR NEEDS AT $50,000,000 -- $10,000,000 FOR EACH OF THE NEXT FIVE YEARS. CONSIDERING THAT FLL HAS RECEIVED A LESS THAN 12.5% RETURN ON ITS CONTRIBUTIONS TO THE ADAP TRUST FUND, THAT THE GROWTH OF BROWARD COUNTY'S POPULATION HAS LED THE ENTIRE NATION AND THAT THE PROPOSED MULTI-MODAL TRANSPORTATION COMPLEX WILL BE WHOLLY UNIQUE, WE REITERATE OUR DOUBT THAT THE SUGGESTED LEVEL OF FUNDING -- $450,000,000 -- WILL BE ADEQUATE FOR OUR NEEDS AND THOSE

CERTAIN TO BE PRESENTED BY OTHER WORTHWHILE AIRPORT PROJECTS.

IN PREPARATION FOR THE PRESENTATION OF OUR NEEDS, WE HAVE TRIED TO EXPLORE AND UNDERSTAND ALL OF THE ISSUES WITHIN THE ADAP DEBATE. INEVITABLY, THE QUESTION OF DEFEDERALIZATION HAS ARISEN. WE BELIEVE THAT ANY SUCH NOTION OF DEFEDERALIZATION MUST BE ACCOMPANIED BY AUTHORITY FOR LOCAL ADOPTION OF A PASSENGER FACILITY CHARGE. INDEED, THE NOTION THAT SUCH AUTHORITY MIGHT BE GRANTED IN ADDITION TO ADAP FUNDING IS NOT UNAPPEALING AS WE CONSIDER AN AIRPORT EXPANSION PROJECT THE SIZE OF FLL. TO CUT OFF ADAP FUNDS WITHOUT IT, THOUGH, WOULD BE TO DENY OUR PROJECT THE ABILITY TO SURVIVE.

WE IN BROWARD COUNTY ARE TRULY EXCITED ABOUT THE EXPANSION OF FLL AND OUR DEVELOPMENT OF THIS UNIQUE MULTI-MODAL TRANSPORTATION COMPLEX. OUR CONTRIBUTIONS TO THE ADAP TRUST FUND HAVE BEEN MADE OVER THE YEARS IN GOOD FAITH AND WITH THE EXPECTATION OF RECEIVING A FAIR AND REASONABLE RETURN FOR OUR OWN LONG-RANGE PLANS AND NEEDS. WE EARNESTLY ASK YOUR SUPPORT FOR A FULL REENACTMENT OF ADAP LEGISLATION. A TEMPORARY EXTENSION WOULD ONLY POSTPONE THE CONGRESS' NEED TO ADDRESS AND OUR ABILITY TO RESPOND TO THE SUBSTANTIVE DIRECTION WHICH AIRPORT REGULATION -- OR DEREGULATION -- WILL TAKE, AND IT WOULD DO SO AT A TIME MOST INTERRUPTIVE TO OUR WORTHY FLL DEVELOPMENT. SHOULD THE CONGRESS IN ITS WISDOM DETERMINE THAT THE MAJOR AIRPORTS ARE TO BE DEFEDERALIZED, THEN WE EMPHASIZE THE NEED TO ALLOW A LOCAL OPTION PASSENGER FACILITY CHARGE. FINALLY, OUR SPECIFIC DOLLAR AMOUNT NEEDS ARE URGENT FOR THIS IMPORTANT PROJECT TO ALLOW FLL TO TAKE ITS RIGHTFUL PLACE AMONG THE NATION'S BEST, MOST MODERN, SAFE AND EFFICIENT AIRPORTS, AND WE LOOK TO THIS SUBCOMMITTEE TO HELP ENSURE APPROPRIATIONS SUFFICIENT TO MEET THE NEEDS I HOPE I HAVE ADEQUATELY DESCRIBED TODAY.

CITY OF PORTLAND, OREG.

STATEMENT OF MILDRED SCHWAB, CITY COMMISSIONER

Senator ANDREWS. Our next witness is from the city of Portland, Oreg., Mildred Schwab, city commissioner.

Welcome to our committee.

Ms. SCHWAB. Thank you, Senator Andrews, for the opportunity to address the committee. I would like to commend Congress and this administration for their efforts to produce a more balanced budget, and I certainly understand your problems just as I hope you will see our plight.

My purpose in appearing before you today is to explain the problems of our region and our State if you do not continue adequate support of the interstate withdrawal program, and particularly the Portland transportation program which is based upon commitments established in the withdrawal program.

When I appeared before you last year we sought the continuation of two Federal commitments to the region:

One, continued commitment to the Banfield project. The actions by the Congress and the administration last year recognized this commitment, and I thank you for your support of this project.

And two, continued flow of funds for the interstate withdrawal program until the program is completed. Once again, the figures in the 1983 DOT budget are not sufficient to adequately fund this important program. The Portland area by itself requires $47 million for this year for the highway portion.

The Portland region requests that the interstate transfer program be treated as an equal of the interstate program, as originally intended, with similar funding levels, inflation formulas, and program deadlines. We recognize that Federal funds will play a reduced role in meeting the transportation needs of our region. Therefore, our area has made a concerted effort to stretch out our need for Federal funds into future years, and to shoulder most of the burden locally.

The State increased the gasoline tax by 1 cent. The voters will consider an additional 3 cents increase this month. The transit district increased by several million its tax revenues through revision in its tax base. Two counties have increased their support for local transportation through local gas or property taxes. Additional support is also coming from local improvement or urban renewal districts.

Large construction projects have been carefully phased to reduce annual funding needs, permitting opening of minimal facilities despite funding shortages, and delaying certain portions of projects until the added capacity is absolutely essential. We have continued to emphasize ride-sharing, signal and safety improvements, and coordinated development planning to reduce the total need for new highway or transit construction.

However, even with these efforts additional funds are needed to continue the interstate withdrawal program. Projects which have been phased must continue to be funded to gain the benefits of previous in-

vestments. Private interests have developed or are now developing major new housing, commercial, or industrial projects based on the presence of certain transportation improvements.

In addition, with Oregon currently experiencing the third highest unemployment rate in the Nation, the construction and permanent jobs which result from these transportation expenditures are essential. Simply stated, the Federal Government is getting a better return on its investment from the Portland transportation program. Federal funds have been spread out to leverage more total dollars of transportation improvement.

Local governments have shouldered more of the financial burden, often exceeding the required match ratios. Projects which produce and support jobs and economic development have our highest priority. The decision to transfer two freeways was reached by our area because the Federal Government was committed to equivalent funding levels for highway and transit projects.

This commitment, based upon contract authority, offered the best opportunity for our region to develop a complete cost-effective and regional transportation program. As you recall, Portland was one of the five contract authority cities. When this program was brought under appropriation authority, Congress said in committee reports that they did not intend for those cities to be adversely affected. We appreciate the fact that so far you have honored that commitment, and we certainly hope that pattern continues.

Based upon the Federal commitment, the region transferred FAP and FAUS funds to other parts of the State for other transportation projects. Local governments developed their individual projects and committed private and public funds for project implementation.

We recognize that the continued efforts to balance the Federal budget may require that the program be extended beyond 1986. Nevertheless, the full Federal commitment to the program must be met to accommodate the transportation needs of our urban areas.

The current proposals reduce funding levels to a greater extent than last year. When considered with the regulations included in the proposed Surface Transportation Act, these funding levels will simply not allow completion of the interstate withdrawal program.

In conclusion—I will quit. My red light just went on.

Senator ANDREWS. Thank you very much Ms. Schwab. We will put it all in the record. Let me assure you that with your most competent and senior Senator Mark Hatfield being chairman of this committee, we will pay particular attention to your request.

Ms. SCHWAB. Thank you very much.

[The statement follows:]

15-453 O - 83 - 58

STATEMENT OF MILDRED SCHWAB

The purpose of the Portland region's testimony today is to urge continued congressional support of the Interstate Withdrawal Program, and particularly the Portland Transportation Program, which is based on commitments established in the Withdrawal Program.

In the Portland region's testimony last year, we sought the continuation of two federal commitments to the region:

1. Continued commitment to the Banfield Project. The actions by the Congress and the Administration last year recognized this commitment, and we thank you for your support of this project.

2. An assurance of continued funding for the Interstate Withdrawal Program until the program is completed. As was the case last year, the figures in the 1983 DOT budget are not sufficient to adequately fund this important program. While we recognize that the efforts to balance the federal budget may require extension of the program beyond 1986, the federal commitment to the program should be met. The Withdrawal Program should be treated as an equal of the Interstate Program, as originally intended, with similar funding levels, inflation formulas and program deadlines.

We recognize that federal funds will play a reduced role in meeting the nation's and our region's transportation needs. Therefore, our area has made a concerted effort to generate new transportation funds to augment continued federal assistance. We have taken a number of steps to meet this objective within the last year.

1. The state increased the gas tax by one cent, and the voters will consider an additional 3 cents increase in the Oregon Primary this month.

2. The transit district increased by several million its tax revenues through revisions in its tax base.

3. Counties have increased their support for local transportation through local gas or property taxes. Additional support is also coming from local improvement districts or local urban renewal districts.

4. Large construction projects have been carefully phased to reduce annual funding needs, permitting opening of minimal facilities despite funding shortages, and delaying certain portions of projects until the added capacity is absolutely essential.

5. The region has continued to emphasize ridesharing, signal and safety improvements and coordinated development planning to reduce the total need for new highway or transit construction.

However, even with these efforts, additional federal funds are needed to continue the Interstate Withdrawal Program. In order to gain the full benefits of previous investments, projects which have been phased must be funded. Based on the federal commitment, local governments have made commitments to complete transportation improvements which are needed by privately-financed housing, commercial or industrial projects. In addition, with Oregon currently experiencing the third highest unemployment rate in the nation, the construction and permanent jobs which result from these transportation expenditures are essential.

The decision to transfer two freeways was reached by our region because the federal government was committed to equivalent funding levels for highway and transit projects. This commitment, based upon "contract authority" offered the best opportunity for our region to develop a complete, cost-effective and regional transportation program. Based on the federal commitment, the region transferred FAP and FAUS funds to other parts of the state for other transportation projects. Local governments developed their individual projects and committed private and public funds for project implementation. These projects together form the Portland Transportation Program, which is described in greater detail in the attached material.

Simply stated, the federal government is getting a better return on its investment from the Portland transportation program. Planned expeditures of federal funds have been spread out to leverage more total dollars of transportation improvement. Local governments have increasingly shouldered more of the financial burden, often exceeding the required match ratios. Projects which create and support jobs and economic development have been given our highest priority.

In conclusion, the Portland region is requesting that the federal government meet its previous commitments to the Interstate Transfer Program at levels adequate to complete the Portland Transportation Program within a reasonable time period. The current proposals reduce funding levels to a greater extent than last year. When considered with the regulations included in the proposed Surface Transportation Act, these funding levels will simply not allow completion of the Interstate Withdrawal Program. The adequate funding of the Withdrawal Program is critical to the Portland region's ability to provide continued mobility of persons and commerce and permit the growth and development of one of the nation's most liveable urban areas.

THE PORTLAND TRANSPORTATION PROGRAM --

A REGIONAL PARTNERSHIP THAT WORKS

A. History of the Interstate Withdrawal -- Putting the Program Together.

In 1975, opposition to the proposed Mt. Hood Freeway forced the city and county to reconsider and then withdraw that freeway segment from the Interstate system. To reassess the best way to meet the transportation needs of the community, then-Governor Tom McCall appointed a Special Task Force on Transportation. This Task Force made landmark recommendations for restructuring transportation decision-making in the region, with some far-reaching implications:

1. Fiscal and environmental realities made it impractical to rely upon new freeways as the solution for urban travel needs.

2. Improvements of existing state and regional highways on an incremental, more cost-effective basis was essential.

3. Transit and highway planning should be done together, with sharing of rights-of-way and transit preferential treatment in the major travel corridors.

4. Better management of traffic was required, including support of carpooling, parking and transit policy coordination, and traffic engineering improvements to get more service from existing highways.

As a result of the recommendations, regional leaders decided to make better use of existing transportation corridors rather than building new ones; limit the growth of traffic on the region's highway system; and assign most of the new commuter growth to transit and carpooling.

By following those principles, Portland placed itself many months ahead of the federal government's eventual philosophy outlined in the "Transportation Systems Management" policy. That policy has been specifically singled out for support by the Reagan Administration in the U.S. Department of Transportation's budget document.

Working from the Governor's Task Force recommendations, the Portland region created a partnership and consensus on transportation development that is unique in the United States. This consensus of local governments evolved from a program to spend Mt.Hood freeway withdrawal funds on key transportation projects. Later, the program included funds from the I-505 withdrawal (which followed in 1978), and some Federal Aid Primary (FAP) and Federal Aid Urban (FAU) Highway funds.

The partnership includes every local government in the region, the three counties, the City of Portland, the MPO (Metro), Tri-Met, the Oregon Department of Transportation, the State Legislature, and commitments from the private sector. (A description of this remarkable consensus -- The Portland Transportation Program -- is included later in this paper.)

Undergirding the entire development of the Portland Transportation Program has been one constant -- a total reliance of the state and local governments upon the assurance of federal commitment. There was never any doubt that the federal government would do what it promised to do -- provide funds equivalent to those that would have been originally spent for the two withdrawn interstate freeway segments. Even during the past year, as it became increasingly clear that the appropriations level was not keeping pace with the needs and a slower rate of development might be necessary, no one doubted that the funds would ultimately be forthcoming:

Relying on that federal commitment, the private sector has invested substantial amounts of funds in development of industrial and commercial properties. Transportation rights-of-way have been donated. Private financing has been pledged to assist in special highway and transit development projects. Voters have agreed to tax themselves through local improvement districts and bonding programs for transportation projects, often providing local funds substantially greater than required to match the expected federal dollars.

Relying on that federal commitment, the Portland region has made financial tradeoffs with other parts of the state. The region has given up Federal Aid Primary and Federal Aid Urban dollars to which it was entitled, to be spent for projects elsewhere in Oregon, funding local FAP and FAU projects with Interstate Transfer Funds instead.

Relying on that federal commitment, the Oregon Department of Transportation, Tri-Met, and many local governments have made expenditures to advance key features of projects which were to be completed later with Interstate Transfer Funds.

Relying on that federal commitment, all federal procedures and requirements have been followed in planning, environmental documentation, alternative analysis, preliminary engineering and right-of-way acquisition, even though this has meant years of delay and cost escalation on projects.

Relying on that federal commitment, the region has pledged a greater share of local funds than required by federal guidelines. As a result, projects are scaled for cost effectiveness. No massive projects -- the type often spurred by the availability of "free" federal funds -- have been proposed. Balance and cost-effectiveness are hallmarks of the Program in both highway and transit projects.

B. Description of the Portland Transportation Program.

Following the policy objectives outlined in the Governor's Task Force, the Portland Transportation Program emerged. Rather than construct two interstate freeway segments serving only part of the region's needs, the program included highway and transit projects taht meet the transportation needs of the entire region. In effect, the Portland area started stretching limited transportation funding long before the arrival of the new Federal Policy.

The program was developed to effectively use the region's Interstate Transfer Funds for a variety of regional projects. As a result, ten major project categories, with funds reserved for each group, were developed (See Table 1.)

Attempting to resolve major regionwide transportation problems first, half of the total money was reserved for upgrading of three existing travel corridors. The remaining funds were reserved to relieve critical highway congestion in areas throughout the region where major land developments were planned or already underway. The three regional travel corridors took first priority.

Regional Transitway Corridors. Recognizing the need to provide adequate capacity in establishing travel corridors, the Governor's Task Force recommended that highway and transit improvements be combined. As a result, three corridors for combined highway and transit development were identified and Interstate withdrawal funds allocated for their use. These were:

- The Banfield Transitway Corridor (eastside)
- The Sunset Transitway Corridor (westside)
- The Oregon City Transitway Corridor (southside)

The Banfield Transitway Corridor was designated the highest regional priority because of traffic congestion levels and the intensity of existing land uses. It is also the corridor directly affected by the withdrawal of the Mt. Hood Freeway project, which would have served eastside Portland.

The Banfield has developed the furthest as a project, with final engineering and right-of-way acquisition underway. Several millions of dollars already have been spent for improvements related to the project, including work on an interchange with I-205 Freeway bisecting the Banfield.

The project calls for major improvements to the Twenty-five-year-old Banfield Freeway and construction of a light rail transit line -- an all-surface rail transit system that will bring immediate benefits to Portland and the eastside in relief of congestion and improved transit service. It also will result in immediate savings to Tri-Met in transit operating costs.

The relatively low capital costs for the surface rail line are only about one-eight the cost-per-mile of constructing either a new freeway or a fully grade-separated rapid transit line such as those in Washington, D.C., Atlanta, San Francisco, Miami and Buffalo. Both the highway and transit portions of the Project have received key federal approvals. More than twenty percent of the total Project costs have been obligated to Tri-Met and ODOT, and more than ten percent of the total costs have now been spent or contracted.

The Banfield Transitway Project is the keystone of the Portland Transportation Program. Until it is constructed, providing for the east-west capacity needs of downtown Portland and east Multnomah County, the region's land use and economic development plans cannot fully move forward. Without the critical connections from I-205 to a reconstructed Banfield Freeway, and without a light rail line to absorb the 42,000 daily person-trips that even an expanded Banfield cannot handle, the public benefits from investment of hundreds of millions of dollars in the I-205 Freeway are significantly reduced. Local government leaders throughout the region have repeatedly affirmed their commitment to this project as the number one priority within the region.

The Sunset and Oregon City transitway corridors are now into the preliminary engineering, environmental impact statement and alternatives analysis state. What will most likely be recommended is early implementation of Transportation Systems Management-type combined highway and bus transit improvements, with major transit improvements eventually expected. These corridors are crucial to the development of the region's mobility and economy.

Other Highway Improvements. The overall strategy of the Portland program is to provide the capacity for local travel within the region (90% of all travel) on local arterial streets rather than on much more expensive new freeways. These projects include:

1. The I-505 Alternative project - a short section of freeway to replace a temporary segment with severe safety problems, combined with arterial improvements that serve the purpose of the second transferred freeway with less disruption to industries and residences, for $55 million, only one-third the cost of the original freeway.

2. Improvements to major arterials - (Powell, Macadam, Union) which serve sub-regional movement.

3. Replacement of structurally unsound bridges (Holgate, Terwilliger) and highway segments (Columbia Boulevard).

4. Other arterial improvements ($41 million) in the residential and industrial areas which were subjected to decay and disinvestment during the long debates over the freeway construction.

5. Access improvements to other major employment and residential areas.

6. Coordination of signal improvement and interconnect systems which improve the traffic and person-carrying capacity of the region's existing street system. The program uses these methods to handle peak-period congestion rather than building freeways sized for these short periods.

Other Transit Programs.

1. Regional and special corridor ridesharing programs, including an innovative public/private incentives program to provide immediately identifiable financial benefits to carpoolers.

2. Transit service improvements which provide "crosstown" or grid bus service in the urban portions of the region and "timed-transfer" services in lower density areas.

3. Provision of park-and-ride lots and transit centers.

4. Purchases of additional buses, including articulated buses to reduce employee per patron costs.

C. Fiscal Aspects Of The Program

Because of the differing federal match ratios, the federal funds have been spread out to leverage more total dollars of transportation improvements. The federal government is getting a better return on its investment. The budget strain on the state has been reduced. Local governments have shouldered more

of the financial burden, often exceeding even the required match ratios. These local funds have come from general tax dollars and from local improvement districts and other private sources.

In the past year, the Portland region has critically examined the transportation program in an effort to target the program to the region's primary objectives, provide more of the funding locally and phase projects recognizing the shortfall in all transportation dollars. The program has been more closely tied to economic development. Those projects which provide transportation for the greatest number of existing and potential jobs have been given the highest priority by both the state and local governments.

The state and the region have instituted several sources of additional transportation revenues. These include:

1. The state gas tax was increased by one cent, coupled with an increase in weight-mile charges.

2. A state proposal, to be considered by the voters in May, would increase the gas tax an additional one cent per year for the next three years.

3. Multnomah County has introduced a county gas tax.

4. Washington County voters passed a property tax serial levy designated exclusively for street improvements.

5. Clackamas County instituted an innovate suburban tax increment urban renewal district to finance transportation improvements - including revisions to the Interstate System.

6. Tri-Met increased its tax revenues by adding previously exempted employers to its tax base.

The second important step which the region has taken to reduce its immediate funding requirements is the careful phasing of highway projects.

1. Some projects have been extended through several fiscal years to reduce the annual requirements on both the federal and other revenue sources. In the past, this approach was used only for the largest, primarily interstate projects. The region is now using it for much smaller projects. Examples include Powell Blvd., and the Oregon City Bypass, which have each been divided into three phases; the Sunset/217 Interchange; and the Alternative to I-505 arterial projects which is now a 5-year program.

2. Several very expensive projects have been divided into phases depending on the critical need for each element of the project. In this way, funds will be targeted to the immediately essential objective, with other elements delayed, in some cases indefinately. A prime example of this approach is I-205, where the "critical gap" will be closed this December with a substandard facility, to be followed by a standard 4-lane facility with all interchanges in the next two years. The full 6-lane facility has been deferred until after 1990. Other examples of this approach include McLoughlin Blvd. (elements to remove immediate capacity constraints only) and East Marquam Interchange (connections for economic development only).

   This phased approach, while reducing the immediate demand for transportation dollars, requires a commitment to continued funding of the Interstate Withdrawal Program in order to realize the full benefits of individual projects.

D. Impacts of the Portland Transportation Program

The Portland Transportation Program offers innovative solutions while at the same time dealing with the reality of fiscal constraints upon new freeway construction. It successfully responds to the pressures of urban growth, economic development and congestion. Some key examples that illustrate the need to be innovative yet thrifty are:

- In 1970, the Portland-Vancouver Metropolitan Area Transportation Study projected a 1980 regional population of 1.2 million people and called for the construction of 92 miles of freeway to meet the resulting travel demands. The cost, in 1980 dollars, of that proposed freeway network was estimated at $3 billion. The 1980 population was actually

1.23 million. Only fifteen miles of new freeway are being built, however, and the major travel demands must be met from the promised $400 million in Interstate Transfer Funds. The Portland metropolitan area, among the top twenty in the country in rate of growth over the past decade, continues to rapidly grow.

- o Downtown Portland has experienced a resurgence of development in the last several years. Office and retail employment has increased 20 percent since 1970. Yet, auto movement into the downtown has actually dropped slightly in that period as a result of a combination of careful management of parking and improved transit service.

- o A closely-coordinated liaison among key industrial employers, the city, the state, and Tri-Met has resulted in packages of highway, transit, and ridesharing programs that have opened up previously inaccessible land area for industrial development.

- o Transit service to major regional employment centers outside the Portland central business district has dramatically increased, with still more changes programmed over the next five years. At the same time, transit productivity has been improved and fares have been increased, reversing a ten-year decline in percentage of transit operating costs met from the farebox.

- o Ridesharing activities involving employers and local government have resulted in one of the most successful carpool formation programs in the nation. Interstate Transfer Funds have assisted in this effort, both in program administration and facilities improvements.

- o Selected highway projects are being developed to complete a balanced regional highway system meeting mobility, energy, environmental and economic goals.

Because of the close relationship among the many units of government and the private sector in development and implementation of the Portand Transportation Program, economies have been and can be realized. However, any changes in the basis of funding will result in delays and negative economic impacts.

E. Effects on the Region of Delayed or Reduced Interstate Transfer Funding.

Major access routes through the Portland region are limited to a few key corridors because the area is constrained by physical barriers -- the West Hills and two major rivers. Because of the restricted funding levels assumed by the Portland Transportation Program, no new freeways, tunnels, or bridges are called for. Instead, the expansion in commuter capacity is proposed by carpooling, transit improvements and improved highway operations management, with selected highway projects targeted at the most congested locations.

In addition, as an alternative to adding more highways, bridges and tunnels, local governments instead are working to do a better job of matching up housing with job opportunities. If successful, the growth of long-range commuting in the region will have been dampened. Initial efforts have been successful, resulting in a close partnership of the private sector and local government in selecting locations, designing and developing new job and housing centers in concert with key highway and transit projects.

The projects comprising the Portland Transportation Program were developed to solve immediate and long-term corridor travel problems. Delays in funding not only mean postponed solutions, it also means millions of dollars in private sector-financed economic developments will be jeopardized. The risk of economic loss to the region is real and severe.

Some examples of private development projects that are closely allied to transportation projects -- in some cases, totally dependent upon them:

- o Clackamas Town Center
- o Clackamas Industrial Park
- o Rivergate Industrial Park
- o Northwest Industrial Area
- o Swan Island Industrial expansion
- o Gresham Shopping Center
- o Burlingame Industrial Development in Washington County
- o St. Vincent's Hospital/Peterkort Office Complex.
- o Coliseum Convention Center
- o Downtown Portland Office Developments

Table 1

RESERVATION OF INTERSTATE TRANSFER FUNDS
(MT. HOOD AND I-505) WITHIN REGION FOR
CATEGORIES OF PROJECTS

1.	REGIONAL TRANSITWAY CORRIDORS	
	Banfield Corridor	$178.7 Million
	Sunset Corridor	16.9 Million
	Oregon City Corridor	32.0 Million
		$227.6 Million = 49% of Total
2.	SOUTHEAST PORTLAND PROJECTS	
	Powell Boulevard Widening	$ 14.5 Million
	Other Projects	9.9 Million
		$ 24.4 Million = 5% of Total
3.	REGIONAL HIGHWAY PROJECTS	
	Oregon City Bypass	$ 15.5 Million
	Sunset Highway/217 Interchange	13.2 Million
	221st/223rd	4.5 Million
	Powell/190th	2.7 Million
	Highway 212	5.2 Million
	Union Avenue	9.4 Million
	Allen Boulevard/217 Interchange	5.8 Million
	Macadam Boulevard	4.0 Million
	Basin/Going Interchange	2.7 Million
	Other Projects	11.4 Million
		$ 74.4 Million = 16% of Total
4.	EAST MULTNOMAH COUNTY TSM RESERVE	
	Miscellaneous TSM Projects	$ 5.0 Million - 1% of Total
5.	PORTLAND RESERVE	
	Barbur/Terwilliger	$ 10.0 Million
	Marine Drive	3.6 Million
	Columbia/Lombard	2.8 Million
	82nd Avenue	1.4 Million
	Other Projects	32.2 Million
		$ 50.0 Million - 11% of Total
6.	REGIONAL TSM PROJECT RESERVE	
	Miscellaneous TSM Projects	$ 5.0 Million = 1% of Total
7.	ALTERNATIVE TO I-505	
	Yeon Ave., etc.	$ 26.0 Million = 6% of Total
8.	NORTHWEST PORTLAND IMPROVEMENTS	
	St. Helens Road	$ 3.2 Million
	N.W. Front Avenue	5.1 Million
	Other Projects	4.7 Million
		$ 13.0 Million = 3% of Total
9.	FAU/FAP REPLACEMENT PROJECTS	
	Columbia Boulevard	$ 3.7 Million
	Oswego Creek Bridge	2.4 Million
	East Burnside	1.9 Million
	Sunnyside Road	1.4 Million
	Nyberg Road	1.6 Million
	158th/Jenkins	1.5 Million
	185th Avenue	1.3 Million
	Barnes Road	1.3 Million
	Other Projects	1.8 Million
		$ 16.9 Million = 4% of Total
10.	REGIONAL RESERVE - HIGHWAY AND TRANSIT	
	Cornell Rd.	$ 3.6 Million
	Allen Blvd..	3.4 Million
	Highway 43	.5 Million
	Gateway Signals	.5 Million
	242nd	.8 Million
	257th	3.0 Million
	185th	.7 Million
	158th	1.0 Million
	Barnes	1.4 Million
	Murray	2.3 Million
	Railroad/Harmony	2.9 Million
	82nd Drive	1.1 Million
	Thiessen Rd.	2.0 Million
		$ 23.2 Million = 5% of Total

AMERICAN ASSOCIATION OF STATE HIGHWAY AND TRANSPORTATION OFFICIALS

STATEMENT OF WILLIAM T. DRUHAN

Senator ANDREWS. Our next witness is Mr. William Druhan of the American Association of State Highway and Transportation Officials.

Mr. Druhan, welcome to the subcommittee.

Mr. DRUHAN. Mr. Chairman, in addition to my statement in the record I would appreciate it very much if I could also submit for the record a statement from Jack Kinstlingler, the executive director for the State of Colorado for Public Transportation.

Senator ANDREWS. You certainly might. We will be glad to have that in the record. How many pages is his statement?

Mr. DRUHAN. Three.

Senator ANDREWS. Fine.

Mr. DRUHAN. Double-spaced.

Senator ANDREWS. We have to look because of the expenditures of writing this record. You would be amazed at how much it costs to keep this record.

Mr. DRUHAN. Mr. Chairman, I am here to address four railroad issues: The Local Rail Service Assistance program, the so-called section 803; the State-Supported Amtrak Trains, the section 403(b) trains; the Rail Safety State Participation program—that is, the Rail Safety, Track, and Equipment Inspectors; and the Railroad Rehabilitation and Improvement Financing Assistance, the so-called Redeemable Preference Share under section 505.

The Local Rail Service Assistance program has been recommended for $20 million funding in the President's budget, and we strongly urge that the full $44 million which is authorized be appropriated at this time. The $20 million would not be sufficient to carry on any major projects. Under the program, each State is entitled to 1 percent. Now for $200,000, you can visualize that each State does not get much money. After you have done that for all the States there is not much left for major projects.

That particular formula also is what prevents the money from being expended immmediately. Some States cannot use it immediately for various constitutional reasons, or other State laws, and before that money is reappropriated there is a certain delay.

I would also like to submit for the subcommittee's files—not the record; that is a long document—a one- to two-page letter from 30 different States indicating why they need the additional money, and what they would do with it. I find that many Senators and Congressmen would like to look up their own particular State to see what impact this has. I do not expect anybody to read that, but you might want to read one page from your State, or a neighboring State, as to how it is impacted.

Senator ANDREWS. That will be most helpful to the committee. We appreciate you sharing it with us.

Mr. DRUHAN. Thank you, sir.

Now in my statement I take apart the various reasonings that were given by the administration for this program, and we make our strong pitch that it be continued because, as we say, the branch line program has not gone away. As you know from North Dakota, you have trouble with the Burlington Northern Railroad. Eastern States have troubles because of the expedited Conrail abandonments. In the area between your State and others, you had the Milwaukee and the Rock Island problems.

Every area in the country is suffering from some type of branch line problem, and this is our only national program which can cohesively bring the whole Nation together. It gives a point of being, a reason for being, within the State government for the rail issue.

With regard to the Amtrak trains, we strongly oppose the lack of funding for those trains. I think that the administration misreads the purpose of these trains. They imply that the states that want them should support them. We take the position that these are in addition to the Amtrak national program. It is an addition to their basic system.

The 403(b) trains you might say are the branch lines of Amtrak. These trains feed into it. More importantly, there are many of the 403(b) trains that are more successful than the basic system trains. So if you do not fund those, and if the States do not fund them, Amtrak is now in a position of removing successful trains and keeping the less successful ones operating.

Alternatively, they would have to pay the money that the States are now paying, and therefore you would lose all of your savings that they are proposing under the budget.

The costs were increased by last year's bill, whereas it went up to $18.3 million for the State share; under the administration's proposal it goes up to $54.1 million and the States will just have to be counted out.

With regard to the safety program, we strongly urge that you budget the minimum amount of funds that would be necessary to continue on with this program. We are talking—the authorization committee just last week authorized $2.7 million. Now without taking argument, that shows you the smallness that we are talking about when you talk about a national government program.

As in the case of the other programs, if you cancel that, the price to the Federal Government goes up, because the Federal Government is responsible for rail safety inspection. If the States do not do it, the Federal Government does it. Therefore, you lose your share.

One final point on another program, the 505: We agree with the Senate Commerce Committee that that program has not been successfully completed. There are $518 million worth of applications on hand, and we believe it should be carried forward.

I thank you, Mr. Chairman.

Senator ANDREWS. Thank you very much for an excellent statement. It will be of great help to us.

[The statement follows:]

STATEMENT OF WILLIAM T. DRUHAN

Mr. Chairman, the National Conference of State Railway Officials (NCSRO) appreciates very much the opportunity to appear here today to express our views on a number of rail related issues. Specifically, I would like to address the Administration's funding proposals for fiscal year 1983 for the Local Rail Service Assistance Program, the State supported Amtrak trains, the rail safety State Participation Program, and the redeemable preference share program.

In order that you may understand our organizational structure, I should mention that the National Conference of State Railway Officials is a Standing Committee of the American Association of State Highway and Transportation Officials (AASHTO). NCSRO is composed of one rail official from each State. These State officials overwhelmingly endorsed our policy positions on these matters. For example, no State cast a dissenting vote regarding our policy position on the Local Rail Service Assistance Program and only two States (neither participants in the program) cast dissenting votes regarding our policy position on the rail safety State inspection program. In addition, the Mississippi Valley Conference of State Highway and Transportation Departments endorsed the positions on the Local Rail Service Assistance Program and the rail safety State Participation Program. Unfortunately, there has been insufficient time to poll the AASHTO membership on these matters. Therefore, today, I am presenting the opinions of NCSRO and not necessary those of AASHTO.

Local Rail Service Assistance Program

NCSRO strongly urges that the full $44 million authorized for the Local Rail Service Assistance Program for fiscal year 1983 be appropriated and that the program not be terminated at the end of the fiscal year. Since inception with the Regional Rail Reorganization Act of 1973, this program has been a catalyst in providing State rail plans on a uniform basis, and transitional assistance for transportation problems related to Federal legislation. The program has considerably enhanced the economic well being of innumerable communities beyond what could reasonably be expected considering the limited amount of funds provided by the Federal government.

Funding limited to $20 million in fiscal year 1983 as proposed by the Administration's budget would be insufficient to carry out many projects essential to the States. In addition, in many instances the limited funding would result in an evisceration of the program because the increments would not be sufficient to commence or continue projects of the highest priority. Each State is entitled to a minimum of one percent of the available funds. It can therefore be readily seen that since between 27 and 30 States would receive the minimum $200,000 each, only a relatively small amount would remain for meaningful projects. Moreover, termination of the program in fiscal year 1984 would virtually destroy the uniformity and cohesiveness among the States developed over the past decade for solving national branchline problems. The Local Rail Service Assistance Program is the stylobate upon which the State rail programs are built. The program provides a uniform and timely planning process which is essential to the States individually and collectively. Both the Federal and State governments have a role in solving national branchline problems and neither can abdicate its responsibility.

You will recall, Mr. Chairman, that last year the Administration proposed that no funding be provided for this program after fiscal year 1980. Congress, however, rejected the request to rescind the 1981 appropriation and also deferred $35 million from fiscal year 1981 until fiscal year 1982. Administrator Blanchette testified before the House Appropriations Transportation Subcommittee that $20 million was being requested for this program for fiscal year 1983 because it has been determined that there are a number of States in the last year of a three year program and that these funds would be necessary to complete the final phase of the program. He stated that although there is no legal requirement for the Federal government to provide these funds, he believes expectations have been raised by the Federal government which should be satisfied.

On the other hand, the assistant director for legal affairs, Office of

Management and Budget, in a letter dated March 29 to Congressmen John B. Breaux states that a reduction for this program from $35 million in 1982 to $20 million in 1983 is being proposed "because we believe that this is a program whose benefits are primary local. Most of the rail lines being subsidized carry less than 3 million gross tons per mile annually, indicating light traffic volumes. Thereby, reductions in funding for this program will have little, if any, effect on interstate commerce. Also, DOT's Inspector General issued a report on the program last December indicating that 'most lines will ultimately be abandoned and little benefit will be accomplished by continuing Federal support.'"

I believe that the reasoning given for reducing this program by both Administrator Blanchette and by the OMB official is erroneous.

Administrator Blanchette's testimony implies that $20 million would be sufficient to complete ongoing branchline projects. This statement is not referenceable. I would like to submit for the subcommittee's files, or the record, whichever you wish, a ponopoly of statements which I have received from officials in 30 States indicating their current activities in the program and the reasons why they believe the full $44 million authorized amount should be appropriated. A perusal of these statements will quickly disclose how the relatively small amount of Federal funds have been leveraged with State funds and private sector funds to finance projects costing considerably in excess of the Federal contribution. Moreover, much more than $20 million in Federal funds is necessary to complete projects currently in progress.

The OMB reasoning that funding reductions can be justified because the program benefits are primarily local appears to be irresponsible. This falacious reasoning could be applied to most assistance programs and projects. Applying such parochialism to a rail branchline program is similar to assuming that a bridge only benefits persons in the immediate vicinity to the respective banks being joined. Just as joint traffic is essential to the survival of all railroads in this country, branchline traffic is essential to the viability of individual railroads. No railroad operates in isolation of any other. Similarly, practically no branchline traffic is confined to a single branchline. It must be recognized that branchline abandonments are approved by the Federal government. The Interstate Commerce Commission was founded in 1887 in recognition of the fact that railroads, including all their branchlines, constitute interstate commerce. Railroads are not permitted to abandon service unless approval is granted by the ICC. The narrow limits of State authority in the matter of branchlines was dramatically brought out by the Supreme Court last year. In a matter of a State protesting the abandonment of a 5.6 mile branchline it ruled that "Congress has granted the ICC broad power to regulate a carrier's permanent or temporary cessation of service over lines used for interstate commerce. . . State efforts to regulate commerce must fall when they conflict with or interfere with Federal authority over the source activity."

It is therefore patently inconsistent for the Federal government to have sole authority to permit branchline abandonments based on the commerce clause of the constitution and then to contend that branchline support serves only local purposes. If only local purposes were served it would be reasonable to grant the States authority to approve abandonments. The danger of such authority vested in the States is readily apparent.

Also irresponsible is the OMB statement that reductions in the funding of the program will have little effect on interstate commerce because the rail lines being subsidized carry less than 3 million gross tons per mile annually. The enabling legislation established the 3 million gross ton per mile criteria as the benchmark for branchline eligibility. The 3 million gross tons per year was tantamount to defining what constituted a light density line. Interestingly, at the time 5 million gross tons per year was given serious consideration. Although subsidization of branchlines was the mainstay of the program when it originated, the primary emphasis of the program for the past several years has been purchase and/or rehabilitation of branchlines. In fact, subsidization is no longer permitted.

The quote taken from the DOT inspector general report was taken completely out of context and is not applicable to the program as it is presently being

administered. The Inspector General report pertains solely to nine branchlines subsidized by three States based on the criteria established in the original legislation. In addition, not only was it recognized at the outset of the program that these particular lines would ultimately be abandoned, the program at that time was primarily for the benefit of such lines. Although not completely appropriate at this time I would be willing to debate in depth the Inspector General report. Suffice at this time to say that the Inspector General review was seriously deficient in that it did not include a proper cross section of the program nor an adequate sample of the program. The review was limited to nine shortline operators. Not only is subsidized operations a minor portion of current expenditures, but shortlines are only a small part of the subsidized operations. In addition, the review did not include Conrail operations which is by far the largest subsidized operator. In short, the review had an inadequate scope and the resulting report is factually inaccurate replete with oxymorons which cannot withstand the test of in depth analysis. In contrast, an Ernest & Whinney report on a comprehensive evaluation of the program commissioned by FRA states among a number of laudatory comments that, "The program has been effective, in many cases, in reducing adverse impacts of rail service abandonments."

Although the branchline problem has been overwhelming in a number of areas, the Local Rail Service Assistance Program provided a catalyst for granting assistance in those instances where the continuation of service was highly critical. The program should be continued because the branchline problems continue. The Federal government continues to impose additional abandonment burdens upon the States. Last year, for example, Congress permitted massive additional abandonments of Conrail lines on an expedited basis. The Milwaukee Road restructuring and Rock Island liquidation continue to have severe adverse impact on many communities. Recent mergers of large railroads as well as those in process, will result in many branchline abandonments. Practically no area in the country is untouched by the present surge to trim down systems due to the easing of abandonment procedures provided in recent legislation. For example, the Burlington Northern is planning on abandoning several hundred miles of its system. Last year, in deference to anticipated hardships in many communities, Congress enacted legislation specifically restricting the amount of abandonments permitted this railroad.

The Local Rail Service Assistance Program is an attempt to partially alleviate a national problem and should not be reduced at this critical time.

State Supported Amtrak Trains

NCSRO is strongly opposed to the Administration's proposal that Amtrak State supported trains [the so-called Section 403(b) trains] not be funded in fiscal year 1983. NCSRO believes that this is legislation by budgetary fiat and arbitrarily will remove essential trains from the system irrespective of the legislatively mandated criteria for operations.

Administrator Blanchette testified before the House Appropriations Transportation Subcommittee that it is the Administration's position that "passenger service provided at the request of a State, for the benefit of its residents, should be financed by the requesting State." This position is obviously based on a misunderstanding of the purpose of State supported trains.

Section 403(b) trains are not merely trains for the benefit of residents of a particular State but rather are an integral part of the national system. It was never believed that the trains which Amtrak operates at any particular point in time constitutes the ultimate system which should not be changed. You will recall that in the early years of Amtrak operations Congress mandated that the basic system be augmented by at least one experimental train each year. Section 403(b) trains to some extent can be considered as a continuation of this program. Section 403(b) trains enable Amtrak to stretch out its endpoints. Section 403(b) trains are comparable to branchlines in the freight system in many instances in that they provide a feeder system for the trunkline operations. Thus, it can be seen that the Section 403(b) trains satisfy the mutual needs of Amtrak and the States. The States are willing to assist in the financing of this mutual need.

Administrator Blanchette, by stating that the States should totally finance the trains it requests, implied that the section 403(b) trains are not as successful as the Amtrak basic system trains. This is an erroneous assumption. Many of the Section 403(b) trains have better performance records than some of the basic system trains. Therefore, if the States are unable to finance the operation of these trains, Amtrak would be compelled to discontinue trains which are more successful than some of the trains it is retaining. Alternatively, Amtrak could finance the trains, if it had funds available, but it would not receive the State support and therefore there would be no budgetary savings as presently envisioned. On the other hand, if the trains are discontinued the anticipated budgetary savings still would not be completely realized because Amtrak would be required to pay labor protection to the displaced employees.

If Federal funding for State supported trains ceases on October 1, 1982, it appears that all such trains would be discontinued. Although not in a position to speak ex-cathedra, rail transportation officials from the States supporting Amtrak trains indicated that it was very unlikely the States would be in a position to obtain the additional funding necessary in a timely manner.

During a dialogue between Administrator Blanchette and the Chairman of the House Appropriations Subcommittee on this subject the point was made by the chairman that the termination of Federal funding commencing in October 1982 provides an inadequate time frame for States to react assuming there is a desire to fully fund the Section 403(b) trains. He pointed out that it was entirely likely that the appopriation bill would not be enacted until after the fiscal year had commenced and it would be impossible for State legislatures to consider the matter and provide funds retroactively. Administrator Blanchette indicated that the legislatures would still be in session and could consider the matter. This would not be the case for a number of States supporting Amtrak trains. Illinois and Missouri legislatures by law are not in session after June 30; Minnesota legislature has already completed its session; although not technically impossible, it appears unlikely that Pennsylvania, New York, and Michigan legislatures could consider the matter.

You will recall that the Amtrak Improvement Act of 1981, effective with fiscal year 1982, increased the States' share to 65 percent of the short-term avoidable operating losses and 50 percent of the associated capital costs. Understandably, this formula would appreciably increase the cost over the present formula whereby the States contributed 50 percent of the solely related costs. Amtrak estimates that the State payments in fiscal year 1983 under the current law would amount to $18.3 million for the State supported trains currently operating. It further estimates that under the DOT proposal the State cost would increase by almost 200 percent to $54.1 million. Such precipitous increases virtually assures the discontinuance of the State supported trains. This in turn would adversely impact Amtrak's revenues on its basic system trains and thus would make it more difficult to satisfy the mandated requirement for revenues to equal 50 percent of costs. Moreover, as mentioned previously, it does not appear that the public would be best served by discontinuing trains which have better performance records than the trains in the basic system.

State Participation Program

NCSRO is strongly opposed to the fiscal year 1983 budget proposal that no funds be appropriated for the rail safety State Participation Program. Denial of these funds will result in a severe adverse impact on safety and/or FRA will not achieve the savings anticipated.

Frankly, Mr. Chairman, we are at a loss to understand why the program is not being recommended for continued funding. No official explanation has been given for this abrupt reversal in a long standing program. The States were not informed before this decision was made nor has an explanation subsequently been furnished. Nevertheless, we understand, the program is not being terminated because it allegedly has not been successful, nor has it been economically unsound. Rather, the termination is apparently an inappropriate application of a political principle.

According to testimony presented by Administrator Blanchette before the House Appropriations Transportation Subcommittee, the Department believes the decision not to fund the program is a furtherance of the overall Administration policy to the affect that non-required State programs should be fully funded by the States that desire such programs.

Without attempting to comment on the merits of this policy, I submit that the policy is not applicable to this program. The Federal government unquestionably has responsibility for rail safety enforcement. This fact has been clearly defined in the enabling legislation and the implementing regulations. Thus, when a participating State employs an inspector and the costs are shared 50-50 by the State and the Federal government, the State is not receiving a grant from the Federal government in the usual sense. Rather, the State payment of 50 percent of the cost is a grant to the Federal government since it is contributing to the relief of a Federal responsibility. States not continuing the program at the present level will cause the Federal government to incur additional costs and thus the savings apparently envisioned will not materialize.

There have been considerable coordinating efforts between the Federal and State inspectors designed to prevent duplication or overlapping of effort. A parallel fact is the pronouncement by Administrator Blanchette that the FRA is unequivocally committed to not reducing current safety inspection efforts. Thus, to maintain this inspection effort the Administration is either assuming that the States will not reduce the number of inspectors when Federal funding is eliminated or that FRA will increase its staff to compensate for the loss of any State inspectors. I believe that both of these assumptions are erroneous.

No information is available at this time as to what degree, if any, States will continue current inspection efforts without Federal funding. Such commitments cannot be anticipated until after enactment of the appropriation bill you are considering today because it will not be definitely known before then whether or not the Federal government intends to continue funding the program. Nevertheless, it is believed that given the present economic climate and competition for limited available funds in many States, it is reasonable to assume there will be a considerable reduction in State efforts if Federal funding is eliminated. Thirteen States had inspection programs before the Federal-State partnership was established by the Rail Safety Act of 1970. These 13 States presently employ 50 percent of the State inspectors. If it can be assumed these States will continue at the present level without Federal funding, the program would still be reduced by 50 percent.

The FRA fiscal year 1983 budget includes a request for 20 additional rail inspectors. In this regard, it should be pointed out that Administrator Blanchette testified these additional inspectors are not to be considered in lieu of any State inspectors which may be withdrawn from the program due to termination of Federal funding. The additional inspectors are needed to offset the reduced inspection caused by the retirement of a track geometry car. We understand that Administrator Blanchette requested 49 additional rail inspectors (over and above the 20 inspectors requested to replace the track geometry car) as the number necessary to offset decreases which might occur in the State programs as a consequence of the proposed cut-off of Federal funds. The Office of Management and Budget denied this request. Therefore, it can be seen that the Administration is making no plans to overcome a reduction in State inspection efforts which can reasonably be anticipated if Federal funding is eliminated.

In those instances where States continue in the program without Federal funding, it can be reasonably assumed that there will still be a deterioration in the program even in these States. The deterioration will be in the form of a lack of uniformity in administering enforcement. In addition, there will be numerous instances of overlapping and duplication of effort between Federal and State inspectors. Presently, the program operates on a partnership basis with the Federal government being the senior partner. Understandably, if the States fully fund the program they would not be obligated to rely solely on Federal regulations or coordinate their program and inspection schedules with Federal authorities. States will be free to set standards and procedures different from those imposed by FRA so long as the minimum Federal standards

are satisfied. States will also independently administer such standards and procedures. Not only will this be inefficient but also such confusion could be deterimental to railroads.

At the present time, FRA has 272 rail inspectors as compared to 297 authorized positions. Thus, the additional 20 inspectors requested will not even fulfill the authorized level desired by Congress especially when considering the abandonment of a track geometry car. There are also 93 State rail inspectors for the 31 participating States. The amount of State participation falls considerably short of the desires of Congress. In this regard a General Accounting Office representative testified before the authorizing subcommittee that "Although the State Participation Program has not achieved its anticipated growth, it has had a positive effect on rail safety enforcement, mainly by supplementing FRA's inspectors." Also it should be noted that there has been considerable improvement in the level of participation in recent years.

Congress continuously prodded the Department from 1971 to 1980 to increase the number of States participating in the program. For example, the House report accompanying the Transportation Safety Act of 1974 stated, "Unfortunately, the committee does not find evidence of a sense of commitment on the part of the Federal Railroad Administration. . . Indeed, the Committee was alarmed at the priorities set by the FRA's Office of Safety in regard to the use of their Federal appropriations, and in the manner in which the agency responds to the intent of Congress in the 1970 Act."

The House report accompanying the Federal Railroad Safety Authorization Act of 1975 stated, "Testimony before the Committee by FRA tends to support the Committee position that more inspection and enforcement activities are essential to any immediate improvement in railroad safety."

It also stated, "The committee feels the . . . FRA is not doing its job adequately. The Committee also feels that a major reason for this problem is that the FRA has consistently failed to avail itself of the safety inspectors and funds authorized by this Committee." Further, "The committee feels that FRA should move expeditiously to encourage more States to participate in the enforcement of Federal rail safety regulations." The Senate report accompanying the Federal Railroad Safety Authorization Act of 1976 stated: "The inability of the Federal Railroad Administration and the nation's railroads to make major safety gains continues to be a source of great frustration to the Committee."

It appears to be somewhat prophetic that the supplemental views of Congressman James Broyhill to the House report accompanying the Federal Railroad Safety Authorization Act of 1980 clearly and succinctly describes the problem that we are facing today. In this instance he was referring to a section permitting the States to bypass the Federal government in certain instances. He stated in this regard, "For this reason for Federal preemption in the area of railroad safety is that the integrated nature of the railroad system requires strong, firm, and uniform safety standards. By opening up enforcement of railroad safety laws to each of the States, without any time for the Federal government to act, will be encouraging a hodge podge of enforcement under railroad safety laws.

"I can understand the frustration of all of us if the Federal government is not doing the enforcement job it is supposed to do. However, the remedy for dereliction by the Federal government is to improve the procedures or personnel of the Federal government. Remedy should not be to abandon the Federal responsibility by passing the buck to the States."

Abandoning this safety program by budgetary fiat will insure returning to the chaos that existed prior to the enactment of the State Participation Program. To vividly recall why the Federal Railroad Safety and Hazardous Materials Transportation Control Act of 1970 was enacted and the conditions that existed at that time let me quote a few excerpts from the accompanying House report.

> "The record presented in the hearings on this legislation leads to the unqualified conclusion that there can be, should be, and must be a substantial upgrading of the level of railroad safety."

"The trend of accidents is increasing and the Committee fully endorses the view that such a trend should be reversed."

"There are virtually no uniform State regulations. There has not been a sizeable or particularly active research program on anything approaching a national scale, and track, roadbed, and equipment safety have deteriorated."

"There is a strong consensus which makes it appear clearly that the time is now here for broad scale Federal legislation with provisions for active State participation to assure a much higher degree of railroad safety in the years ahead."

"As indicated, the need for safety improvement and legislation to assure such improvement is well established and is unquestioned by all parties interested--labor, management, State representatives, for example."

"Existing Federal and State rail safety regulations do not in most instances provide standards for track, roadbed, equipment, employee training and qualifications, or rules governing safe railroad operations."

And finally--

"The Committee does not believe that safety in the nation's railroads would be advanced sufficiently by subjecting the national rail system to a variety of enforcement in 50 different judicial and administrative systems."

I believe, Mr. Chairman, that abandonment of the State Participation Program at this time would set us back over a decade. Many of the problems encountered in the early years of the program have now been solved to a large degree. The Department supported the program during the past two years more enthusiastically and with more success than it did during the preceding 10 years. With the enactment of the 1980 Act expanding the program to include disciplines other than track and car inspectors, the Department sincerely attempted to implement the program to the degree intended by Congress. It formed a joint DOT-NARUC-NCSRO task force to revise the regulations and solve other problems in our ongoing partnership. It is therefore ironic that after struggling for this type of relationship for over ten years that when it is well on its way to being accomplished the Department would suddenly propose to cease funding of the program.

This program is probably one of the smallest government programs from a funding standpoint. Only $8.3 million has been obligated since the inception of the program in 1970. Almost 50 percent of this amount was obligated in 1980 and 1981. The Department is probably in a better position to indicate what would be a sufficient amount to be appropriated for the continuation of the program in fiscal year 1983. Nevertheless, we believe that approximately $3.5 million would be sufficient. The increase over the amounts obligated in previous years is necessary because of anticipated increases in the number of inspectors in States presently participating in the program, additional States participating in the program, and the additional inspectors for the disciplines added to the program by the 1980 Act.

Railroad Rehabilitation and Improvement Financing Assistance

NCSRO urges that the railroad rehabilitation and improvement financing assistance (Redeemable Preference Share Program) not be permitted to expire at the end of this fiscal year and that sufficient funds be appropriated to reasonably carry out the objectives of the program.

The Administration's budget does not contain a recommendation for further funding for the Redeemable Preference Share Program because, as Administrator Blanchette testified before a Senate Commerce subcommittee, it is believed that the program has been successfully completed. NCSRO agrees that the program has been successful but we do not agree that the program has been completed.

The success of the program is attested to in the Secretary's annual report to Congress on this program for fiscal year 1981 (the latest available) in which it is stated:

> "In the aggregate, the results to date indicate that the Title V program has helped to minimize the adverse impact of deferred maintenance on the national rail system by stemming the deterioration of high density main lines and by providing for rehabilitation of needed equipment which the recipient carriers would not otherwise have been in a position to undertake. Additionally, the assistance provided has been a factor in aiding several marginal carriers to survive on their own as well as serving as a key tool for resolving a major rail crisis in the Midwest without a public ownership or "Conrail" type solution. While the initial emphasis of the Title V program was upon rehabilitation of heavy density main lines and major improvements to the national equipment fleets, the program has also been of service to smaller railroads with more specialized requirements."

With regard to the contention that the program has been completed Administrator Blanchette testified that the previously reported capital shortfall in the next few years for the railroad industry amounting to $13 to $16 billion would not be overcome by stopgap government programs such as the Redeemable Preference Share Program. He stated that the industry capital needs will be obtained by means of operational changes. The necessary operational changes were made possible by the Staggers Rail Act of 1980 deregulating the industry and the major mergers recently approved and/or proposed.

It is true that the net profitability, rate of return on investment, and other financial indicators show considerable improvement for the railroad industry during the past two years. Such improvements, however, have not been made by all of the essential railroads and facilities within the industry. Senator Danforth recently stated when introducing his bill (S.2430) authorizing $100 million for this program, "my colleagues and I were impressed not only with the success of the program to date, but with the importance of continuing it in the future. It is clear that the financial status of the railroad industry has improved since this program was established and, thus, its ability to get private sector financing. It is equally clear that there remain essential railroad projects that will never be completed or even get off the ground without some form of Federal financial assistance." The fact that the program has not been completed is substantiated by applications on hand at FRA for $586 million in further assistance including $419 million for acquisition and rehabilitation of the Milwaukee and Rock Island lines. Obviously, improvement in the financial condition of the railroad industry as a whole bodes well for the future. This improvement, however, does not negate the necessity for providing assistance for the rehabilitation and restructuring of the essential portions of certain less profitable or unprofitable railroads.

STATEMENT OF JACK KINSTLINGER

My name is Jack Kinstlinger. I am Executive Director of the Colorado Department of Highways. Colorado Governor Richard D. Lamm has named the Colorado Department of Highways as the state designated agency to the Federal Railroad Administration for the Local Rail Services Assistance Program (LRSA) in Colorado. It is in this role that I am testifying today on the appropriation for the LRSA program.

I would like to review the recent history of LRSA appropriations and at the same time complement the United States Congress for continuing the funding of this vitally needed program, despite efforts of the Administration to terminate the program.

Congress passed the FY 1981 Department of Transportation Appropriations Act (Public Law 96-400) in the fall of 1980. This Act contained $80 million for the LRSA program. President Reagan's Economic Recovery Program included a recommendation to discontinue funding for the LRSA program in FY 82 and subsequent years. The Administration also proposed that the $80 million appropriated by Congress for FY 81 be rescinded. Fortunately, Congress did not accept the request of the Administration, but made $40 million available in FY 81 and $35 million available in FY 82 for the LRSA program.

Although substantially reduced, the continuation of the LRSA program has resulted in the preservation of rail service in several areas of this nation, including an economically depressed area in Colorado. Using LRSA funds, we are helping a short line carrier with a tie replacement program on a 15 mile branch line that is vital to the agricultural community served by the line. The alternate to this rehabilitation program would have been loss of rail service to the community.

The Northeast Rail Service Act of 1981 (PL-97-35) authorized $44 million for the LRSA program for FY 83. The Administration's budget for the LRSA program for the same period is $20 million. I am asking this Subcommittee to appropriate the entire $44 million authorized in PL-97-35. This request will increase the appropriation by $24 million over that budgeted by the Administration. However, Congress recognizes the value of the LRSA program and appropriated $40 million in FY 81 and $35 million in FY 82 in excess of that recommended by the Administration. The value is still there, so the additional $24 million should be appropriated.

As it relates to Colorado, a $44 million appropriation is needed and would be well used. Our largest railroad effort in Colorado during the past year has been towards preserving rail service on the 170 miles of Rock Island lines in this state. Obviously, to do this, the lines must be purchased from the Rock Island Trustee. There appears to be two prospective purchasers. The Mid States Port Authority of Kansas is negotiating favorably with the Trustee and, if successful, would use federal funds for acquisition. If Mid States fails to acquire the line, eastern Colorado counties would form a rail district to issue bonds and purchase the line. Bonds would be paid back from revenues from an operating carrier and from an ad valorem tax.

As an inducement to both the Port Authority and the Colorado counties, we have advised them that if they acquire the line, we will help them rehabilitate the line with LRSA funds. Rehabilitation costs range from $661,000 in a study done two years ago for us to $3 million estimated by Mid States Port Authority in their application for federal funds.

In FY 82, Colorado received 1.18% of the $35 million LRSA appropriation. Assuming this percentage is a constant, Colorado will receive $236,000 in LRSA funds if the Administration request of $20 million is appropriated. If the $44 million authorized by PL-97-35 is appropriated, Colorado will receive $519,200 in LRSA funds. Withholding $80,000 for rail planning, Colorado will have $156,000 or $439,200 available for rehabilitation. When these amounts are matched at 70-30, there will be funding for a $223,000 rehabilitation program or a $627,000 rehabilitation program, depending on the appropriation. Even the higher figure is short of the needs for rehabilitation on the Rock Island. These figures also preclude any other LRSA projects in Colorado.

Congress has passed several pieces of legislation to help preserve rail service on Rock Island and MIlwaukee lines. It seems inconsistent they would pass an LRSA appropriation less than the amount authorized when a large portion of these funds would address the goals of the other legislation. Therefore, I urge you to appropriate the full $44 million authorized for the LRSA program.

I thank you for the opportunity to appear before this Subcommittee.

REGIONAL TRANSPORTATION AUTHORITY OF CHICAGO, ILL.

STATEMENT OF LEWIS HILL, CHAIRMAN

Senator ANDREWS. Our next witness is Mr. Lewis Hill, chairman of the Regional Transportation Authority of Chicago.

Before you proceed, Mr. Hill, let me inform the audience and the remaining witnesses of one thing. I not only happen to be a member of the Appropriations Committee, but by some quirk of fate I happen to also be a member of the Budget Committee. As a member of the Budget Committee, I am supposed to be at the White House in 15 minutes for a little discussion about some material that I am sure you can guess what the content is. I do not know whether we are being taken to the woodshed, or being given our marching orders, but the decision we made was that because many of you have come from some distance to make this record, I would have Ms. Crunican of our staff continue the hearings so that we would not have to inconvenience your schedules.

With that announcement, Mr. Hill, it is good to have you here and we will appreciate hearing your statement.

Mr. HILL. Thank you, Mr. Chairman. Good luck.

Senator ANDREWS. Thank you.

Mr. HILL. The Regional Transportation Authority was created in 1974 to preserve and coordinate the public transportation in the northeastern Illinois area. It is an area of approximately 3,700 square miles with a population of 7 million residents. It contains an urban-suburban and rural mix with one of the largest networks of public transportation in the world.

This transportation is provided by 7 commuter railroads, 22 suburban bus systems, 24 paratransit projects, and the bus/rapid transit lines of the Chicago Transit Authority with a daily ridership of approximately 2.4 million riders. In fiscal 1983, these figures reflected a ridership loss of 35 percent on the suburban bus, and 25 percent on commuter rail, and 7.5 percent on the CTA due to our fiscal constraints, substantial increases in fares, and a reduction in service.

Today the RTA riders pay 53 percent of the cost of their transportation, one of the highest if not the highest in the Nation. Thirty-four percent of the cost of transportation operations is covered by a local sales tax imposed in our region. Federal subsidies for operating purposes account for 8.5 percent of the total cost.

We support new approaches to the Federal operating assistance. Instead of the present program, we would propose Congress allow public transportation systems funding for fuel and insurance, as an example. Also a major change in the traditional definition of capital assistance should be made in order to allow for reconstruction and overhaul of capital equipment and facilities. As an example, the useful life of a bus is 12 years, but its major component, the engine, lasts only 7 years. It will need a major overhaul or need a new engine if it is to last 12 years, and we believe that should be included in the capital program.

We strongly recommend to you consideration of Secretary Lewis' increased user fee proposal, with the provision that 1 cent of the proposed 5-cent increase in Federal gasoline tax go to mass transit. We also urge you to heed Secretary Lewis' advice to retain portions of the Safe Harbor Leasing rules that allow transit systems to sell depreciation benefits.

We advocate that UMTA be authorized to guarantee notes and obligations issued by transit authorities for the purpose of financing new equipment and rehabilitation. The precedent for loan guarantee authority exists within the community development block grant program at the present time.

We believe that public transportation benefits everyone, not only the transit rider; and as a public service, it deserves support from the Federal Government. Public benefits have been cited before, and include such things as reduction of traffic congestion, allowing persons who do not own automobiles access to jobs that they could not otherwise reach, promotes urban concentration which reduces the infrastructure costs such as sewers and utilities, lessens medical costs by reducing air pollution and other damaging impacts, and most importantly in today's environment it reduces energy consumption which is critical.

In the first 8 years of our existence, we achieved our original goals of preserving and coordinating public transportation. We look forward to the coming years as a time of innovation and change to meet the changing needs of our 7 million residents. Instead, we find ourselves in jeopardy as massive fare increases and service reductions cause rider flight away from transit and onto congested highways.

We take no comfort in knowing that we are not alone. Other transit systems throughout the country are also in similar precarious financial situations. Minimum wage earners may decide that they no longer can afford the cost of public transportation to get to their jobs, or no longer can find convenient transportation at the hours they need it. And when they quit their jobs, we will find ourselves in the position of trading transit subsidy dollars for welfare dollars.

Through the continued Federal support of public transportation on both capital and operating levels, we in the transit community can hope to build strong viable systems for the future service of our people.

Thank you.

Ms. CRUNICAN [presiding]. Thank you very much. The Senator is extremely sorry that this meeting at the White House came up, but be assured that this material will be used to help build a good record.

Thank you.

[The statement follows:]

STATEMENT OF LEWIS W. HILL

CHAIRMAN ANDREWS AND MEMBERS OF THE SENATE SUBCOMMITTEE, I AM LEWIS W. HILL, CHAIRMAN OF THE REGIONAL TRANSPORTATION AUTHORITY OF NORTHEASTERN ILLINOIS. THANK YOU FOR THIS OPPORTUNITY TO PRESENT OUR VIEWS CONCERNING THE LEGISLATIVE NEEDS OF PUBLIC TRANSPORTATION.

AS A BRIEF IDENTIFICATION -

THE RTA WAS CREATED IN 1974 BY ILLINOIS VOTERS TO PRESERVE AND COORDINATE THE PUBLIC TRANSPORTATION SYSTEM IN NORTHEASTERN ILLINOIS. THE TASK OF ACCOMPLISHING THIS MANDATE IS AS COMPLEX AS ANY FOUND IN THE NATION GIVEN THAT THE REGION COVERS AN AREA OF APPROXIMATELY 3,700 SQUARE MILES, HAS OVER SEVEN MILLION RESIDENTS AND CONTAINS URBAN, SUBURBAN AND RURAL LAND USES WITH CORRESPONDING VARIATIONS IN POPULATION DENSITIES AND SERVICE REQUIREMENTS.

THE REGION CONTAINS ONE OF THE LARGEST NETWORKS OF MIXED PUBLIC TRANSPORTATION ANY WHERE IN THE WORLD. SERVICE IS PROVIDED BY SEVEN COMMUTER RAILROADS, 22 SUBURBAN BUS SYSTEMS, 24 PARATRANSIT PROJECTS AND THE BUS/RAPID TRANSIT LINES OF THE CHICAGO TRANSIT AUTHORITY.

ANNUAL RIDERSHIP ON THE RTA SYSTEM IS 741.1 MILLION WITH A DAILY RIDERSHIP OF 2.4 MILLION. IN FY82, THOSE FIGURES REFLECT A RIDERSHIP LOSS OF 35.6% ON SUBURBAN BUS, 24.5% ON COMMUTER RAIL AND 7.5% ON THE CTA DUE TO THE FY81'S FARE INCREASES OF 50% ON CTA AND SUBURBAN BUS AND 100% ON COMMUTER RAIL, ALONG WITH SYSTEMWIDE SERVICE REDUCTIONS.

IN PREVIOUS APPEARANCES BEFORE CONGRESSIONAL COMMITTEES, I HAVE DISCUSSED THE REASONS FOR THESE MASSIVE FARE INCREASES: LACK OF STATE FUNDING, SPIRALING COSTS OF WAGES AND FUEL AND THE FLAT ECONOMY THAT IMPEDES THE GROWTH OF THE RTA SALES TAX - OUR MAJOR SOURCE OF FUNDING OUTSIDE OF FARE BOX REVENUE. TODAY, RTA RIDERS PAY 53.8% OF THE COST OF THEIR TRANSPORTATION - THE HIGHEST FARE RECOVERY RATIO OF ANY MAJOR SYSTEM IN THE NATION. 34.2% OF THE COST OF TRANSPORTATION OPERATIONS IS COVERED BY THE RTA SALES TAX. FEDERAL SUBSIDIES ACCOUNT FOR 8.5% OF OUR OPERATING BUDGET. AND IF PRESENT PLANS ARE CARRIED OUT, THAT PERCENTAGE WILL DROP TO ZERO IN 1985.

WITHOUT FEDERAL ASSISTANCE, HOW WILL PUBLIC TRANSPORTATION SYSTEMS THROUGHOUT THE NATION SURVIVE? THE ANSWER, QUITE CLEARLY, IS MANY WILL NOT.

I AM NOT HERE TODAY TO CRY GLOOM AND DOOM. RATHER, I HOPE MY TESTIMONY WILL SUPPORT POSITIONS ADVOCATED BY TRANSPORTATION SECRETARY LEWIS AND WILL CAUSE YOU TO REFLECT ON ADDITIONAL SUGGESTIONS I SHALL MAKE.

WHILE UNDERSTANDING THE FEELING OF SOME THAT FEDERAL OPERATING SUBSIDIES CONTRIBUTE TO ESCALATING WAGE SCALES OVER WHICH YOU HAVE NO CONTROL, AND THEREFORE, A RELUCTANCE TO CONTINUE SUCH OPERATING SUBSIDIES, RTA SUPPORTS THE NEW APPROACH TO FEDERAL OPERATING ASSISTANCE.

INSTEAD OF THE PRESENT DIRECT OPERATING ASSISTANCE GRANTS, RTA PROPOSES THAT CONGRESS ALLOW PUBLIC TRANSPORTATION SYSTEMS FUNDING FOR FUEL AND INSURANCE. WITHOUT FUEL, THERE WILL BE NO PUBLIC TRANSPORTATION. BY A FUEL ASSISTANCE PROGRAM, CONGRESS COULD EMPHASIZE ITS COMMITMENT TO ENERGY CONSERVATION IN ENCOURAGING CONSUMERS TO USE ENERGY EFFICIENT MASS TRANSIT.

STUDIES HAVE SHOWN THAT A FULLY LOADED BUS IS UP TO 15 TIMES MORE ENERGY EFFICIENT THAN AN AUTOMOBILE WHILE A FULLY LOADED HEAVY RAIL CAR IS THE MOST FUEL EFFICIENT FORM OF URBAN TRANSPORTATION - 53 TIMES MORE EFFICIENT THAN AN AVERAGE COMMUTER AUTOMOBILE.

PARTLY BECAUSE OF THE RTA'S TRANSPORTATION NETWORK THAT CARRIES MORE THAN TWO MILLION RIDERS PER WEEK-DAY, FUEL CONSUMPTION IN THE CHICAGO AREA IS SHOWING A STEADY DECREASE. WITH FEDERAL FUNDING FOR FUEL COSTS, WE WOULD SHOW EVEN GREATER GAINS IN OUR ENERGY CONSERVATION EFFORTS BY HOLDING THE LINE ON THE PRICE OF FARES.

A SECOND PROPOSAL CONCERNS A MAJOR CHANGE IN THE TRADITIONAL DEFINITION OF "CAPITAL ASSISTANCE" IN ORDER TO ALLOW FOR RECONSTRUCTION AND OVERHAUL OF CAPITAL EQUIPMENT AND FACILITIES.

AS AN EXAMPLE, THE USEFUL LIFE OF A BUS IS 12 YEARS, BUT ITS MAJOR COMPONENT - THE ENGINE - LASTS ONLY SEVEN YEARS. IT WILL NEED A MAJOR OVERHAUL, OR EVEN A NEW ENGINE, TO LAST 12 YEARS. WITH CAPITAL ASSISTANCE ALLOWANCE FOR OVERHAUL AND RECONSTRUCTION, CAPITAL DOLLARS WILL GO FURTHER.

IN ADDITION, THEY WILL ACT AS A REINVESTMENT TO PROTECT THE ORIGINAL FEDERAL INVESTMENT.

WHERE WILL THE MONEY COME FROM TO SUPPORT THIS FEDERAL ASSISTANCE? WE STRONGLY RECOMMEND TO YOU CONSIDERATION OF SECRETARY LEWIS' INCREASED USER FEE PROPOSAL, WITH THE PROVISION THAT 1 CENT OF THE PROPOSED 5 CENT INCREASE IN FEDERAL GASOLINE TAX GO TO MASS TRANSIT. THIS SUPPLEMENT TO THE CAPITAL ASSISTANCE ALREADY AVAILABLE FROM THE GENERAL FUND WILL PROVIDE MANY OF THE FEDERAL DOLLARS NEEDED TO PROTECT THE COUNTRY'S INVESTMENT IN ITS TRANSIT SYSTEM.

WE ALSO URGE CONGESS TO HEED SECRETARY LEWIS' ADVICE TO RETAIN PORTIONS OF THE SAFE HARBOR LEASING RULES THAT ALLOW TRANSIT SYSTEMS TO SELL DEPRECIATION BENEFITS ON TRANSIT VEHICLES AND FACILITIES. THE RETENTION OF THE SALE/LEASE-BACK RULES FOR TRANSIT VEHICLES AND FACILITIES PROVIDE A BADLY NEEDED SOURCE OF ADDITIONAL CAPITAL FUNDING AND ARE A MAJOR INCENTIVE FOR MASS TRANSIT SYSTEMS TO PURCHASE NEW ROLLING STOCK. IN ORDER TO MAINTAIN A VIABLE, MODERN OPERATION, MATURE SYSTEMS SUCH AS THE RTA MUST BE ASSURED OF FUNDING TO RESTORE THEIR PHYSICAL PLANT. WELL SPENT CAPITAL DOLLARS HAVE PROVED TO LESSEN THE NEED FOR THE EXPENDITURE OF THE EVER SHRINKING SUPPLY OF OPERATING SUBSIDIES.

IN ADDITION, WE ADVOCATE THAT UMTA BE AUTHORIZED IN LEGISLATION TO GUARANTEE NOTES AND OBLIGATIONS ISSUED BY TRANSIT AUTHORITIES FOR THE PURPOSE OF FINANCING NEW EQUIPMENT AND REHABILITATION AS DEFINED UNDER THE BLOCK GRANT PROGRAM. THE PRECEDENT FOR LOAN GUARANTEE AUTHORITY EXISTS WITHIN THE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM. THE GUARANTEES WOULD BE PROVIDED AGAINST THE FULL UMTA MULTI-YEAR AUTHORIZATIONS. THIS WOULD ALLOW RTA TO STRETCH ITS FEDERAL DOLLARS AND LEVERAGE UMTA ASSISTANCE OVER A PERIOD OF YEARS. FEDERAL ASSISTANCE WOULD BE USED FOR THE REPAYMENT OF PRINCIPAL AND INTEREST UNDER THIS PLAN.

THE ESTABLISHMENT OF A LOAN GUARANTEE AUTHORITY WOULD RECOGNIZE THE FUNDAMENTAL REALITY THAT THE FEDERAL GOVERNMENT - THROUGH AN ANNUAL CONTRIBUTION CONTRACT - CAN ASSIST LOCAL PUBLIC AGENCIES IN ACHIEVING OBJECTIVES THAT HAVE LARGE INITIAL CAPITAL COSTS.

THERE IS ANOTHER SUBJECT THAT NEEDS TO BE ADDRESSED, AND THAT IS A

MORE EQUITABLY STRUCTURED FUNDING PACKAGE THAT CORRECTS COUNTER-PRODUCTIVE APPROPRIATION LEVELS AS COMPARED TO THE AMOUNT OF FUNDS AUTHORIZED.

AT PRESENT, TRANSIT AGENCIES RECEIVE A ONE-YEAR APPROPRIATION AGAINST AUTHORIZING LEGISLATION. THIS MAKES IT EXTREMELY DIFFICULT TO MEET CORPORATE PLANNING OBJECTIVES WHEN APPROPRIATION LEVELS DIFFER CONSIDERABLY FROM AUTHORIZED FUNDS.

WE REQUEST THAT CONGRESS CONSIDER THREE TO FIVE YEAR LEGISLATIVE APPROPRIATION PACKAGES WHEN ENACTING NEW TRANSIT LEGISLATION. WITH A FIRM COMMITMENT ON APPROPRIATIONS, TRANSIT SYSTEMS WILL HAVE A CLEAR ROAD MAP TO GUIDE THEM IN MAKING SHORT AND LONG RANGE PLANS. WE WILL NOT BE FACED CONSTANTLY WITH CHANGING LEVELS OF APPROPRIATIONS THAT DRAMATICALLY IMPACT THOSE PLANS.

JUST AS THE PRIVATE SECTOR PLANS FOR THE FUTURE, TRANSIT AGENCIES DEVELOP OPERATING AND CAPITAL PROGRAMS FOR A FIVE-YEAR PERIOD. DECISIONS ARE MADE AT THAT TIME REGARDING TYPE, PHASING AND TIME FRAME IN WHICH EACH PROJECT IS PROGRAMMED. TO BASE ALL OUR PLANS ON AUTHORIZED LEVELS, AND THEN TO FIND THOSE LEVELS REDUCED CONSIDERABLY AT APPROPRIATION TIME IS COUNTER-PRODUCTIVE TO EFFICIENT AND EFFECTIVE PLANNING.

WE REALIZE THAT THERE ARE DIFFERING PHILOSOPHIES AS TO WHETHER THE FEDERAL GOVERNMENT SHOULD BE CONCERNED WITH SUBSIDIZING PUBLIC TRANSPORTATION. OBVIOUSLY, WE STAND ON THE SIDE OF THOSE IN FAVOR OF FEDERAL SUPPORT AND WOULD REFUTE THOSE WHO CLAIM THAT FINANCIAL ASSISTANCE FOR TRANSIT IS MERELY GIVING A FREE RIDE TO THE TRANSIT USER. CLEARLY, THAT IS NOT SUPPORTED BY FACTS.

TRANSIT IS A <u>PUBLIC SERVICE</u> THAT <u>BENEFITS EVERYONE</u> - NOT ONLY THE TRANSIT RIDER. AND AS A PUBLIC SERVICE, IT DESERVES SUPPORT FROM THE FEDERAL GOVERNMENT. THE PUBLIC BENEFITS OF TRANSIT ARE EXTENSIVE:

* TRANSIT HELPS REDUCE TRAFFIC CONGESTION, WHICH ELIMINATES THE NEED TO BUILD ADDITIONAL STREETS, HIGHWAYS AND PARKING GARAGES.

* TRANSIT ALLOWS PERSONS WHO DO NOT OWN AUTOMOBILES ACCESS TO JOBS THAT THEY COULD NOT OTHERWISE REACH, THUS EASING UNEMPLOYMENT.

* TRANSIT PROMOTES URBAN CONCENTRATION WHICH REDUCES THE SIZE AND COST OF SEWER AND UTILITY INSTALLATIONS.

* TRANSIT LESSENS MEDICAL COSTS BY REDUCING AIR POLLUTION.

* PERHAPS MOST IMPORTANTLY IN TODAY'S ENVIRONMENT, TRANSIT SAVES ENERGY SO THAT LIMITED PETROLEUM RESOURCES ARE AVAILABLE FOR OTHER USES.

THE RTA TRANSIT SYSTEM IS ONE OF THE BEST IN THE COUNTRY. IN THE FIRST EIGHT YEARS OF OUR EXISTENCE, WE ACHIEVED OUR ORIGINAL GOALS OF PRESERVING AND COORDINATING THE PUBLIC TRANSPORTATION SYSTEM IN NORTHEASTERN ILLINOIS. WE HAD LOOKED FORWARD TO THE COMING YEARS AS ONES OF INNOVATION AND CHANGE TO MEET THE CHANGING NEEDS OF OUR SEVEN MILLION RESIDENTS. INSTEAD, WE FIND OURSELVES IN JEOPARDY AS MASSIVE FARE INCREASES AND INCONVENIENT SERVICE REDUCTIONS CAUSE RIDER FLIGHT AWAY FROM TRANSIT AND ONTO CONGESTED HIGHWAYS.

WE TAKE NO COMFORT IN KNOWING THAT WE ARE NOT ALONE. OTHER TRANSIT SYSTEMS THROUGHOUT THE COUNTRY ARE IN THE SAME PRECARIOUS FINANCIAL SITUATION THAT IS FORCING PUBLIC TRANSPORTATION TO TAKE A GIANT STEP BACKWARDS.

IN OUR OWN WAY, EACH OF US HAS ATTEMPTED TO SOLVE THAT PROBLEM. BUT SERVICE CUTS, FARE INCREASES AND MANAGEMENT IMPROVEMENTS CAN DO ONLY SO MUCH TO ADDRESS THE PROBLEM. THERE IS A POINT OF DIMINISHING RETURNS WHEN RIDERS FLEE OUR SYSTEMS AND WE THEN BEGIN TO DENY SERVICE TO THOSE TRULY IN NEED. PURSUING SUCH A POLICY CREATES A DEVASTATING EFFECT ON THE ECONOMY OF VILLAGES, CITIES, REGIONS - AND ULTIMATELY, THE NATION.

MINIMUM WAGE EARNERS WILL DECIDE THAT THEY NO LONGER CAN AFFORD THE COST OF TRANSPORATION TO THEIR JOBS, OR NO LONGER CAN FIND CONVENIENT TRANSPORATION AT THE HOURS WHEN THEY NEED IT. WHEN THEY QUIT THEIR JOBS, WE'LL FIND OURSELVES IN THE POSITION OF TRADING TRANSIT SUBSIDY DOLLARS FOR WELFARE DOLLARS.

IT IS ONLY THROUGH THE CONTINUED FEDERAL SUPPORT OF PUBLIC TRANSPORTATION ON BOTH CAPITAL AND OPERATING LEVELS THAT WE IN THE TRANSIT COMMUNITY CAN HOPE TO BUILD STRONG, VIABLE SYSTEMS FOR THE FUTURE.

THE ALTERNATIVE IS UNTHINKABLE: TRANSIT WILL DIE. CARS WILL LIVE (THOUGH NOT TOO WELL IN CONGESTED, TRAFFIC-CLOGGED URBAN AREAS). AND THE NATIONAL FLOWER WILL BECOME A CONCRETE CLOVERLEAF.

NATIONAL ASSOCIATION OF REGULATORY UTILITY COMMISSIONERS

STATEMENT OF WALTER J. HERNANDEZ

Ms. CRUNICAN. Next we have Walter Hernandez of the National Association of Regulatory Utility Commissioners.

Mr. HERNANDEZ. Thank you very much for inviting me to this hearing. I would like to submit on behalf of the National Association of Regulatory Utility Commissioners a position on the grant-in-aid programs for the FRA program, and for the pipeline safety training program.

I have a letter here from the chairman of the Public Service Commission, Nevada, to Senator Cannon endorsing NARUC's position on the funding of the FRA program for the Federal/State grant program of $2.7 million, and for the appropriation of $5.5 million for the gas pipeline safety grant program.

As national chairman of 47 States, Puerto Rico, and the District of Columbia, 2 weeks ago we held a meeting regarding the proposed grant program submitted by the administration. The States' grant request were $5.5 million, and the DOT cut that to $3.6 million, and then further cut it to $2.4 million.

This has put great hardships on the States throughout the country. The reduction of people in this pipeline safety program have been increased and are on notice that they will be phased out. If the moneys requested of $5.5 million is not given to the States, there will be further reductions within the States' program.

If $4 million was available to this program, the States would be able to hold status quo. Anything below $4 million for this year would be a reduction in the actual inspection of the pipeline program. There are 2,300 pipeline operators inspected by 47 States, Puerto Rico, and the District of Columbia. Last year they spent over 20,000 man-days inspecting these operators throughout the country. They found violations of 11,000-some-odd violations.

The training program for Federal and State pipeline safety inspectors, which they probably number 226 throughout the United States, leaves no place for training other than at the Transportation Safety Institute. This is the only place we can go to train the inspectors to enforce the Federal regulations against operators, or to work with operators. There is no college. There is no other facility available to us.

DOT tells us they want to cut the five regions down to three regions. This is at this point as of today. There was one engineer in the western part of the states that handles the 14 Western States, including Hawaii and Alaska, and he alone has to monitor the 14 Western States with one secretary. This office, they tell me, could be closed. To me, the only way that regulations that are on the books can be enforced is if you get the people out there and do the work. These people are out there doing the work and should be strengthened.

The Inspector General's report from DOT said that they should be strengthened. The GAO report also stated back a couple of years ago that they should have more personnel. They just do not have the per-

sonnel. They are reduced now to 13 field engineers in the entire United States on the Federal level. The State people are 206, plus there are some part-timers throughout the country.

We feel that this program, with the accidents that have been happening throughout the United States—and this is taken from a Federal report—in gas transmission and gathering incidents for the 10-year period from 1970 to 1980, there were 6,213 accidents; 24 employee fatalities; 133 employee injuries; nonemployee fatalities were 33; and nonemployee injuries were 258. Total operator property damage for this same period was $69 million.

Gas distribution incidents' data for the same period was 10,756. Employee fatalities were 40. Employee injuries were 366. Nonemployee fatalities were 219. Nonemployee injuries were 2,641. Operators' property damage was $8 million. For a period of 1975 to 1978, there was $512 million damage to property.

Ms. CRUNICAN. Thank you very much. You should know that this Senate subcommittee has explored some of these concerns in the pipeline safety and the rail safety areas in their hearings, so they will be very interested in reading your testimony, I am sure.

Mr. HERNANDEZ. If there are any further questions, or if you need me back, I would be only too happy to be of assistance.

[The statement follows:]

STATEMENT OF WALTER J. HERNANDEZ

Mr. Chairman and members of the Committee, on behalf of the States' Pipeline Safety Representatives, I appreciate the opportunity to appear here this afternoon to express the states' concerns on the federal-state relationships on Pipeline Safety and matters associated with the program.

The United States is divided into five regions. Each region selects a chairman and vice chairman to represent each state's interest in their region on federal-state Pipeline Safety Program matters. These region chairmen represent 47 states, Puerto Rico, and the District of Columbia. As National Chairman of all regions I held a meeting in Reno, Nevada, April 20, 21, and 22nd of this year. All region chairmen and vice chairmen were present, plus Mr. Howard Dugoff, Administrator of R.S.P.A, U.S.D.O.T. and others from O.O.E.

At our Annual meeting the five region chairmen and vice chairmen voted unanimously on four resolutions that I will discuss with you this afternoon.

The first resolution (Attachment A) I would like to discuss is a "Resolution Reaffirming the States Support and Committment to the Federal/State Partnership".

NARUC and others consider this law to be a model for federal-state cooperation and believe the success of this program is a shining example of what can be accomplished when federal and state agencies work together. This partnership has resulted in a higher level of pipeline safety which in turn results in greater protection of all Americans.

The second resolution (Attachment B) I would like to address is, "Resolution Regarding The Grant-In-Aid Funding Level For The Gas Pipeline Safety Program". When Congress enacted and the President signed into law the Natural Gas Pipeline Safety Act of 1968 (the Act 49 U.S.C. 1671 et. seq. PL 90-481), all states in this program were reimbursed 50% of their costs for personnel, equipment, and activities required to carry out the states pipeline safety grant program through 1980.

At this time the best information that I can find for calendar year 1981 is that the states' request for 50% reimbursement, will be short by approximately $750,000. The states had requested $4,624,742. It would then appear that a budget for 1981 of $4,000,000 would have allowed all the states to receive 50% reimbursement.

The states projected estimates for 1982 was $5,353,039. U.S.D.O.T. reduced that figure to $3,600,000 and that is what was submitted to Congress. For some unknown reason it was cut further to $2,434,000. O.O.E. then allocated this amount by percentages to all states in the program. The lowest percentage for a state was 12.93% and the highest was 35.00% for an average of only 22.73% of the states' original requests. These percentages presented a problem for some states in as much as some state statutes only allow a state to spend dollar for dollar, or two for one, in the program. I informed Dr. Paullin of this problem and he changed the allocation to dollars with a maximum figure.

I had also requested supplemental funding for the 1982 program to bring the figure up from $2,434,000 to $3,600,000 through Senator Laxalt's office. Mr. Dugoff responded to Senator Laxalt that he would do the best he could with what he had.

NARUC has supported the states request for $5.5 million for calendar year 1983 to insure that the pipeline safety grant program would be able to continue its necessary growth. If at the expense of public safety this request was lowered to $4.0 million dollars all the states would remain at the status quo. If the grant program was cut further it would mean a decrease in states participating in this program.

I must also state at this time that personnel are being transfered from the pipeline safety program and others have been alerted to the fact their jobs may be abolished. The number of inspections will also be reduced. There has been an offer from U.S.D.O.T. for states to take over all interstate pipelines and down the road probably to take over all pipelines in each state. This would be the ideal situation, if a state was able and willing, but at the same time U.S.D.O.T. is asking the states to accept less money.

Deputy Secretary Trent stated at a briefing March 31, 1982, that he expected no significant reduction in state participation. I can assure the deputy that cuts have already been made and a number of states will cancel their agreement with U.S.D.O.T. The Act provides for 50% funding, but Mr. Dugoff stated at this same meeting it would be reduced to 25% for 1983.

The third resolution (Attachment C) is for "Maintaining The Five Regional Offices within the Office of Operations and Enforcement", but first I would like to point out the man power of the O.O.E. in their Washington Headquarters. There are 4.2 persons, plus two secretaries for a total of 6.2 persons.

In regard to this resolution, I would like to point out that the eastern region has 2 engineers and a part time secretary, the southern region has 3 engineers and a secretary, the south-western region has 3 engineers and a secretary, the central region has 4 engineers and a secretary, and the western region has 1 engineer and 1 secretary. This gives us a total of thirteen engineers and 4 secretaries representing the O.O.E. throughout the United States. This grand total of 23.2 persons are responsible for seeing that the Natural Gas Pipeline Safety Act of 1968 is carried out.

In the Regulations Section in their Washington Headquarters there are 7 persons plus 1 or 2 secretaries. The Regulations Section is responsible for all gas, liquid, and L.N.G. Regulations. For this small group to write and interpret regulations is a tremendous responsibility. We also know that over 50% of all energy used in the United States is transported by pipeline.

The regional offices provide support to states in their regions. If this is a partnership between the federal-state governments, then we all must work closely to ensure the programs success.

The regional chief monitors each state in his region once a year. I have been in the program eight years, and have only been monitored once

a year. There are many times in a year that a state representative must talk to the regional chief about situations he is faced with and at that moment. The state representatives in the western time zone have only 3 hours a day that they can communicate with someone at the O.O.E. Headquarters. When there is an interstate problem in the region, regional personnel can certainly respond quicker than someone who is over 1000 miles away. By being able to contact a person in the Regional Office and discussing the problem of a violation versus the regulation, we will insure uniformity throughout the country.

The fourth and last resolution (Attachement D) is regarding "Formal Training For Gas Pipeline Safety Personnel".

In 1981 the states' annual reports indicate that there were 341 persons involved in the Pipeline Safety Program that totaled 206 person years. Also added to this were 30 clerical persons.

All persons enforcing Parts 190, 191, 192, 193 and 195 must be able to interpret those regulations and apply them to actual conditions in the field. There is no school in this country, that I know of that will instruct federal and state inspectors how to enforce federal regulations other than T.S.I.

It is also good for federal and state inspectors to attend industry schools or seminars, but none of these schools offer programs addressing enforcement. In my opinion if an inspector and a operator are in the same class, the subject matter will not be discussed openly. It would be like sending a crook to school at a police academy.

We in pipeline enforcement are required to be knowledgeable in pipeline safety enforcement procedures, materials, pipe design, design of pipeline components, welding of steel in pipeline, knowledgeable in x-ray reading, joining of material other than by welding, construction requirements for transmission lines and mains, customer meters, service regulators and service lines, requirements for corrosion control, test requirements,

uprating of systems, pipeline operations, pipeline maintenance, master meter operators, P.C.B., arson with natural gas, floods, bomb threats and when they actually find explosives, investigation ability and testifying, state and local laws, and public safety. I believe this list gives you an idea of what is required of federal-state inspectors. There is no question in anyone's mind that T.S.I. is the one and only location that the thirteen regional engineers and 206 full-time inspectors can obtain this knowledge as it relates to federal regulations thereby ensuring the uniformity of gas safety regulations. The state of the art in gas pipeline safety is constantly changing and the need for updating requires that these inspectors return to T.S.I. for updating their knowledge.

T.S.I. has two new courses, but can not put them on because of lack of funding and the inability of some state inspectors to travel to T.S.I. Another item in this area is the loss of well qualified instructors leaving T.S.I., O.O.E. and the Regulation Section because of the U.S.D.O.T. ups and downs in this entire program.

If Congress wants a higher level of safety for all citizens then some assurance has to be given that the Pipeline Safety Program will receive adequate funding to retain the qualified personnel currently employed, while providing the necessary training to maintain the qualifications of these same employees.

Conclusions

The following statistics were prepared by Information Systems Division, January, 1982.

Gas transmission and gathering incidents in the United States from 1970-1980

Accidents	6213
Employee fatalities	24
Employee injuries	138
Non-Employee fatalities	33
Non-Employee injuries	258

. Total operator property damage for this same period was $69,197,537.

Gas distribution incidents survey data for 1970-1980.

Incidents	10,756
Employee fatalities	40
Employee injuries	366
Non-Employee fatalities	219
Non-employee injuries	2,641
Operators property damage	$8,326,381.

A draft report of the Inspector General's Office dated 9-3-81, recommended that the Associate Director of O.O.E. strengthen the state programs and improve O.O.E.'s evaluation and monitoring processes.

The report also states that safety violations pose threats to life and property. Property damage between 1975 to 1978 amounted to $512.5 million dollars. Unaccounted gas was another area the report discussed. In 1979, 372,320 million cubic feet were lost. States will usually accept a level of 5% unaccounted gas but some operators reported as high as 59%.

Another area covered by the report was the time spent by O.O.E. on evaluation of state programs. O.O.E. regional personnel had been able to spend little time on evaluating state pipeline agencies. In fiscal year 1979, a total of 200 Mandays were used nationwide in evaluating 47 of the 52 state agencies. Obviously, more staff time for the evaluation and monitoring process would enable O.O.E. to do a more effective job.

A report of the U.S. General Accounting Office, dated April 26. 1978, stated:

The Department of Transportation's Office of Pipeline Safety Operations is responsible for developing and administering a comprehensive and effective pipeline safety program, but a number of significant problems and weaknesses exist. There is a need for

-more complete and effective pipeline safety regulations,

-strengthen State pipeline safety programs,

-improved compliance efforts,

-more effective data analyses, and

-increased attention to staffing requirements.

Here are a few excerpts from that report:

Pipeline Safety

Gas and hazardous liquid pipelines in the United States total about 1.7 million miles and transport more than one-half of the nations energy supply. These pipelines carry large quantities of extremely volatile substances often under high pressure and expose large segments of the population to potentially catastrophic incidents.

Annually there are hundreds of thousands of pipeline leaks most of which are discovered and repaired before major incidents can occur. Unfortunately a number of these leaks do result annually in about 50 deaths and 350 serious injuries. Considering the many miles of pipelines, these statistics indicate that pipeline transportation is relatively safe. Nevertheless, with the many individual systems of diverse size, age, materials, and overall quality, as well as the several thousand operators of varying capabilities, there is a very real and continuous concern over the catastrophic potential of the flammable and explosive materials which move through the system.

In addition to the primary concern for public safety, pipeline accidents and leaks also result in the loss of valuable energy resources and environmental pollution. Although adequate statistics on the extent of such losses are not available, a number of sources indicate that leaks have resulted in substantial losses.

Need To Strengthen The State Programs

The Natural Gas Pipeline Safety Act of 1968 permitted states to assume responsibility for enforcing the safety standards for intrastate gas pipelines and provides for state assistance in the enforcement of the safety standards for interstate pipelines.

Although most states participate in the federal program, none of the

states have accepted responsibility for all types of gas pipeline operations. The states have a major enforcement role, however, because 2,300 of the 2,600 gas pipeline operators are under state jurisdiction. During 1977, the states received $2.3 million in federal grants to assist them in carrying out this role. Some of the state programs have been inadequate and ineffective.

The Act requires the Federal Pipeline Safety Office to annually approve state participation in the gas safety program and to ensure enforcement of federal-state standards. If the office determines that enforcement is not adequate it may refuse to certify the state and assert federal jurisdiction over the gas safety program.

Other Safety Issues Needing Attention

There are a number of other pipeline safety issues which, although they represent actual or potential safety problems, have not received adequate attention. For example, one area that has received little attention from the Pipeline Safety Office is the compliance inspection of the many thousands of master-meter operators who provide gas through their own lines to facilities such as apartment complexes and trailer parks. Many of these operators may not be aware of the federal safety regulations. In the 22 states which have not assumed jurisdiction over such operators, the Pipeline Safety Office is responsible for operator inspections and enforcement of safety standards. However, it is not fulfilling its responsibility of monitoring these operators.

Federal Pipeline Safety Office Staffing

The Office's effectiveness in developing and enforcing a comprehensive pipeline safety program has been hampered by staffing problems. Historically, the Office has operated with a small staff. In fiscal year 1977 it had 26 professional and 14 clerical positions. Having a small staff appears to have impacted most on the workload of the five regional offices which are charged with ensuring operator compliance with the safety standards. Each regional office is staffed by one or more professionals and a secretary, who must monitor (1) the Gas Pipeline

Safety Programs conducted by the states with jurisdiction over about 2,300 operators, (2) about 300 Gas Pipeline Operators not subject to state jurisdiction, and (3) about 125 liquid pipeline operators. The staffing, particularly in the regional offices, is not adequate for carrying out the mandated responsibilities in a comprehensive, effective and timely manner.

The following cuts are positive if grants funds are not increased to the status quo level. The western region will lose 4 persons and possibly California, Hawaii, Idaho, N. Dakota, Utah, Washington, and Montana. Michigan has reduced it work force by 25%. New Mexico will be hurt, Tennessee is being hit hard by this and they don't know what they will do. Alabama is looking for the state to back them up. Indiana is alright for 1982, but will have to cut the number of inspections in 1983. Nebraska will drop one person and reduce inspections by 1/3. Ohio will have a drop in inspections. Rhode Island will lose one man if they do not get 50% funding. New York will cut personnel if they do not get at least 25% funding. Pennsylvania will lose people if funds continue to be cut. West Virginia will be the same.

Mr. Chairman these are the facts from our regional chairmen as of April 22, 1982. As these facts indicate, my deep concerns expressed today are supported by actions to cut the Pipeline Safety Programs currently being taken and seriously considered by many of the states. I urge the members of this Committee to continue to support the pipeline safety grant program at a funding level that will ensure the public health and safety of all Americans.

ATTACHMENT A

RESOLUTION REAFFIRMING THE STATES' SUPPORT
AND COMMITTMENT TO THE FEDERAL/STATE PARTNERSHIP

WHEREAS, The Congress enacted and the President signed into law the Natural Gas Pipeline Safety Act of 1968 (the Act) [49 U.S.C., Sec. 1671 et. seq. PL 90-481]; and

WHEREAS, The Act and its subsequent amendments established a regulatory partnership between Federal and State pipeline safety agencies; and

WHEREAS, The regional representatives have determined that the Federal/State partnership arrangement over the past twelve years has demonstrated the ability to provide an efficient program for the protection of public health and safety pursuant to the pipeline safety act; now, therefore, be it

RESOLVED, that the state regional representatives have reaffirmed the states' support and committment to the Federal/State partnership in the pipeline safety area.

ATTACHMENT B

RESOLUTION REGARDING THE GRANT-IN-AID FUNDING
LEVEL FOR THE GAS PIPELINE SAFETY PROGRAM

WHEREAS, The Congress enacted and the President signed into law the Natural Gas Pipeline Safety Act of 1968 (the Act) [49 U.S.C., Sec. 1671 et. seq. PL 90-481]; and

WHEREAS, The Act and its subsequent amendments established a regulatory partnership between Federal and State pipeline safety agencies and provided for federal funding of up to 50% of the cost of personnel, equipment, and activities required to carry out the state pipeline safety program; and

WHEREAS, The state regional representatives have determined that the Federal/State partnership arrangement over the past twelve years has demonstrated the ability to provide an efficient program for the protection of public health and safety pursuant to the Pipeline Safety Act; and

WHEREAS, The National Association of Regulatory Utility Commissioners have supported funding at a $5.5 million level for 1983 to ensure that the pipeline safety program is able to continue its necessary growth; and

WHEREAS, It is the opinion of the State Regional Representatives that a $4.0 million funding level for 1983 is necessary to maintain the status quo; and

WHEREAS, Any further reduction would result in a serious decrease in the overall program, including the loss of some states participation; now, therefore, be it

RESOLVED, by the state regional representatives that the Congress should continue to support the pipeline safety grant program at a funding level that will ensure the public health and safety.

ATTACHMENT C

RESOLUTION FOR MAINTAINING THE FIVE REGIONAL OFFICES
WITHIN THE OFFICE OF OPERATIONS AND ENFORCEMENT (DOT/RSPA/MTB/OEE)

WHEREAS, The Congress enacted and the President signed into law the Natural Gas Pipeline Safety Act of 1968 (the Act) [49 U.S.C., Sec. 1671 et. seq. PL 90-481]; and

WHEREAS, The Act and its subsequent amendments established a regulatory partnership between Federal and State pipeline safety agencies; and

WHEREAS, Since the inception of the Federal/State pipeline safety program, five regions have been utilized for the implementation and utilization of the Pipeline Safety Act; and

WHEREAS, The use of five geographical areas has provided an orderly and efficient system of providing pipeline safety to the public; and

WHEREAS, The possibility exists that the number of regional offices may be reduced; and

WHEREAS, The following reasons show the need for continuing the five regional office concept:

1. Federal personnel have responsibility for the hazardous facility order jurisdiction;
2. Federal personnel have a statutory responsibility over interstate natural gas operations;
3. National uniformity in enforcing the natural gas pipeline safety regulations;
4. To provide a support role to the states in their enforcement activities;

now, therefore, be it

RESOLVED, by the state regional representatives that the Department of Transportation should maintain the existing five regional offices.

ATTACHMENT D

RESOLUTION REGARDING FORMAL TRAINING
FOR GAS PIPELINE SAFETY PERSONNEL

WHEREAS, The Congress enacted and the President signed into law the Natural Gas Pipeline Safety Act of 1968 (the Act) [49 U.S.C., Sec. 1671 et. seq. PL 90-481]; and

WHEREAS, The Act and its subsequent amendments established a regulatory partnership between Federal and State pipeline safety agencies and provided for Federal funding of up to 50% of the cost of personnel, equipment, and activities required to carry out the State pipeline safety program; and

WHEREAS, The State regional representatives have determined that the Federal/State partnership arrangement over the past twelve years has demonstrated the ability to provide an efficient program for the protection of public health and safety pursuant to the Pipeline Safety Act; and

WHEREAS, The State regional representatives have determined that there is a need for the continuing training of State and Federal gas pipeline safety inspectors and that the responsibility for this training properly belongs to the Federal government; and

WHEREAS, There is a need for the uniform enforcement of the gas safety regulations; and

WHEREAS, The state of the art in gas pipeline safety is constantly changing with the development of new materials and techniques; and

WHEREAS, The Transportation Safety Institute currently provides specialized technical training that is not available at any other educational institution on a time or cost effective basis; now, therefore, be it

RESOLVED, by the State regional representatives that it is the Federal government's responsibility to provide uniform formal training for gas pipeline safety personnel.

Statement of the
National Association of Regulatory Utility Commissioners
on
FY 1983 Appropriations for the U.S. Department of Transportation's
Railroad Safety and Natural Gas Pipeline Safety Programs

This statement is submitted for the record in connection with the Senate Committee on Appropriations' Transportation Subcommittee's consideration of Fiscal Year (FY) 1983 appropriations for the U.S. Department of Transportation's (DOT's) Railroad Safety and Natural Gas Pipeline Safety Grants-in-Aid Programs to the States.

The National Association of Regulatory Utility Commissioners (NARUC) is a quasi-governmental nonprofit organization founded in 1889. Within its membership are the governmental agencies of the fifty States and the District of Columbia, Puerto Rico and the Virgin Islands engaged in the regulation of utilities and carriers. Our chief objective is to serve the consumer interest by seeking to improve the quality and effectiveness of public regulation in America.

More specifically, our members include those State regulatory commissions which participate in DOT's Railroad Safety and Natural Gas Pipeline Safety Programs. We appreciate this opportunity to express our views regarding the need for continued funding of these programs in FY 1983.

The members of the NARUC are greatly concerned that the Reagan Administration has proposed to eliminate funding for the Federal grants-in-aid made available to participating States under the Railroad Safety program, and to reduce substantially funding for the Natural Gas Pipeline Safety program. We submit that the rationale for funding these programs is even more compelling than it was when they were established under the Natural Gas Pipeline Safety Act of 1968 1/ and the Federal Railroad Safety Act of 1970. 2/ The provision of up to 50 percent in matching funds to those

1/ 49 U.S.C. § 1674.

2/ 49 U.S.C. § 435.

State agencies which enforce Federal safety regulations in these areas reduces the need for establishing large Federal field staffs and thereby permits the implementation of these national safety programs for far less than it would otherwise cost for the Federal government to assume the entire financial burden.

Moreover, continued funding of these grants-in-aid programs conforms with the Administration's goal of returning to the States those responsibilities which can be most effectively handled by those closest to the particular needs of the public. The overall success of the safety programs in reducing accident rates is a clear illustration of the wisdom of such an approach.

For these and other reasons to be elaborated herein, the NARUC vigorously urges that the Federal-State partnership reflected in the railroad safety and natural gas pipeline safety programs be continued in FY 1983 by means of:

(1) An appropriation of $2.7 million for DOT's Federal Railroad Administration, to be allocated to the railroad safety grants-in-aid;

(2) An appropriation of $5.5 million for DOT's Research and Special Programs Division, to be allocated to the gas pipeline safety grants-in-aid.

Railroad Safety

The Federal-State partnership in assuring safety on our Nation's railways was established in Section 206 of the 1970 Railroad Safety Act. Under the oversight of the Federal Railroad Administration (FRA), those States which receive certification to carry out investigative and surveillance activities on behalf of the Secretary of Transportation, and those States which enter into agreements with the Secretary, provide money and manpower for the purpose of implementing federal rail safety rules and regulations. In turn, participating States receive up to 50 percent in matching funds to assist them in carrying out these responsibilities.

Failure to continue providing matching funds to States sharing the responsibility of enforcing Federal regulations would

place these States at a distinct economic disadvantage and may force some to drastically cut back their programs. These cutbacks are likely to reverse the trend toward safer railways that correlates directly with growing State involvement in FRA's railroad safety program.

There are currently 31 States participating in the program, with 94 State inspectors, including trainees.3/ This represents almost 47 percent of the Nation's track and equipment inspectors. It is largely through the efforts of these State inspectors that FRA has been able to enforce Federal safety standards and thereby reduce railroad accidents. A recently released General Accounting Office (GAO) report confirms that State participation has improved the FRA inspection program considerably.4/

Each year, the Nation's railways destroy fewer lives and property. Accident rates dropped from 12.4 per million train miles (MTM) in 1979, to 11.4 per MTM in 1980, to 8.2 per MTM in 1981. For accidents attributed directly to faulty tracks or equipment, the figures are equally encouraging: from 9.3 accidents per MTM in 1978 to 5.9 MTM in 1981.

These statistics provide tangible evidence that the Federal-State partnership provided for in the 1970 Railroad Safety Act is working. No longer is the railroad industry plagued by the 11,000 accidents per MTM that generated support for legislation in 1969. Regulatory officials are encouraged by this decrease, but are concerned by GAO statistics that show that a train accident occurs about once every hour in the United States, costing about $800,000 a day in property damage.5/ We recognize that the figures must drop significantly before the goals of the 1970 Railroad Safety Act can be considered as met.

Sixty percent of today's railway accidents are attributable to equipment or track defects, or improperly maintained track

3/ See Appendix A.

4/ Report by the Comptroller General of the United States, The Federal Approach to Rail Safety Inspection and Enforcement: Time for Change (April 19, 1982), p. 39.

5/ Ibid, p. 4.

roadbeds. These are the preventable accidents--the target of the railroad safety program.

Requiring the States, many of which are already struggling to meet their share of the matching funds, to carry the entire burden for participating in the program is not the answer. This will force many States to cut their efforts or to withdraw from the program entirely, leaving the FRA to cover the entire cost. Moreover, it will eliminate an incentive for the States to sponsor more comprehensive enforcement programs in support of the Federal scheme.

FRA studies show that an additional $2.2 million must be added to the FY 1983 FRA budget to maintain the grants-in-aid program at its current level. To enable the program to keep pace with the need for expansion, $2.7 million is needed.

Potential State Impact of
Grants-in-Aid Funding Elimination

One can only speculate about the future of State inspection programs without 50 percent grants-in-aid funding. The growing level of State participation demonstrates the State commitment to the program; however, as stated previously, economic realities may force many States to reduce their level of participation, or to withdraw from the program entirely.

Even those States that expect to maintain their participation levels despite loss of grants-in-aid funding may be disappointed after the railroad safety program issues are thrust into the political arena for additional State appropriations.

Because States sometimes appropriate funds a year to two in advance, the railroad safety programs are likely to undergo at least temporary reductions between budget sessions. Even if the railroad safety programs are considered during special budget sessions, it is unlikely that they will be able to generate the same level of support of railroad interests as is likely during regular budget sessions, particularly since the railroad safety programs compete for funding with other more politically palatable concerns, i.e., education, health and community programs.

We again emphasize that States are committed to the railroad safety program, but that many States may be forced to withdraw from the program because they are unable to compensate for the funds' loss in light of increasing budgetary demands.

No Duplication of Efforts in
Federal-State Inspection Program

Some have suggested that elimination of the grants-in-aid funding can be justified on the basis that the State rail inspection program represents merely a duplication of Federal inspection efforts. Concerning this question of duplication of Federal and State inspection efforts, one need only examine the statistics to realize the skeletal nature of the inspection force currently inspecting the Nation's 300,000 miles of railways and 1.7 million freight cars. With only 162 Federal and State inspectors responsible for track inspections, or roughly one inspector for every 1,900 track miles, and 127 Federal and State inspectors responsible for freight car inspections, or one inspector for every 13,400 freight cars, there appears little room for duplicated inspections. The above-cited GAO rail safety study confirms that nearly one-half of the FRA inspectors monitoring the Chicago, Fort Worth, Philadelphia and Portland areas alone were unable to adequately cover their assigned territories.6/

The appearance of duplication may stem from the fact that some State inspectors are not authorized to conduct the level of inspections conducted by Federal inspectors. Because the FRA has not finalized its revised State participation regulations, States are limited to the restricted authority granted in the Railroad Safety Act.

For instance, while conducting a particular freight car inspection, State inspectors are authorized to inspect only safety standards such as wheels and car frames. Only Federal inspectors are authorized to inspect that freight car's braking system and employee safety standards, such as ladders and steps. The result is the appearance of duplicate inspections.

6/ Ibid, p. 7.

Revision of the State participation requirements will increase the authority of State inspectors while allowing Federal inspectors to concentrate their efforts in States with the highest rail accident rates or in States not participating in the program.

Gas Pipeline Safety

Section 5 of the Natural Gas Pipeline Safety Act of 1968 authorized the establishment of a State participation program for enforcing Federal safety standards, the framework of which was later replicated in the above-described rail safety grants-in-aid program.

The members of the NARUC believe that the pipeline safety program has shown itself to be a model of the level of Federal-State cooperation which is attainable when jurisdictional disputes (such as those which have in the past hampered the rail safety program) are set aside. This spirit of cooperation was more easily achieved in the case of gas pipeline safety because prior to initiation of the grants-in-aid program, there existed no permanent Federal field staff to inspect the Nation's gas pipeline network.

Currently, agencies in 48 States, the District of Columbia and Puerto Rico are participating in the pipeline safety grants-in-aid program.7/ As in the rail safety program, DOT's Research and Special Programs division may provide up to 50 percent in matching funds to assist participating States in enforcing Federal pipeline safety standards. Likewise, if a State agency chooses not to assume safety responsibility for gas pipelines within its borders, the Federal government automatically retains this responsibility and must bear 100 percent of the costs for program enforcement.

In 1981, participating States devoted over 20,500 work-days to pipeline inspection activities. The comparable figure for Federal inspecting is 380 work-days. Thus State inspectors were responsible for approximately 98 percent of last year's national safety efforts with respect to national gas pipelines.

7/ The Alaska Public Service Commission and the South Dakota Public Utilities Commission do not participate in the program.

State participation has already been stymied by inadequate appropriations in previous fiscal years. Grants-in-aid under the program during 1982 returned to participating States an average of 22 percent of costs incurred in enforcing Federal pipeline safety standards.[8/] This represents less than half of the funding authorized by Congress in the Pipeline Safety Act. As the above-cited statistics demonstrate, the States are clearly carrying the majority of the program's inspection burden; for reasons of equity as well as in keeping with Congressional intent underlying the Act, the grants-in-aid program should reimburse the States for the full 50 percent of costs authorized by law.

Federal funds allocated to the grants-in-aid program in the past have been put to effective use. The funding has enabled many States to establish and expand State-level pipeline safety activities and to finance personnel training, salary and equipment expenses. The safety risks which the funds are designed to minimize are by no means insubstantial. In 1979, despite Federal-State inspection efforts, there were 2,221 pipeline failures, resulting in 49 fatalities, and 419 injuries. Property damage alone caused by only 251 liquid gas pipeline failures totaled over $120 million.

Just as the States have risen to the challenge of enforcing the Federal pipeline safety program, the Federal government should make good on its commitment to provide financial assistance in these efforts. Failure to do so is likely to result in deteriorating State support for the program--to the detriment of DOT's already overburdened budget. We therefore request that $5.5 million be appropriated to support the grants-in-aid program at the level necessary to ensure its continued success.

Conclusion

The members of the NARUC are confident that the rather moderate Federal investment required to support continued State participation in the railroad safety and natural gas pipeline safety programs is more than economically justified in terms of Federal budget savings. In addition to the hundreds of millions

8/ See Appendix B.

of dollars saved in potential property damage as a result of effective inspection efforts, the immeasurable toll in human lives that are potentially preserved due to more vigilant safety activities represents the strongest argument in favor of full funding for these programs. Accordingly, we urge your support for the appropriation amounts suggested herein for FY 1983.

Appendix A

RAILROAD
GRANTS-IN-AID: NUMBER OF STATES AND PARTICIPATING INSPECTORS AS OF MARCH 15, 1982

State	Track Inspectors	Equipment Inspectors	Total
Alabama	2	2	4
Arizona	2(1*1)	1	3
California	2	1	3
Connecticut	1	-	1
Florida	3	2	5
Illinois	4	-	4
Iowa	3	-	3
Kansas	1	-	1
Louisiana	1	-	1
Maryland	2	2	4
Michigan	4	1	5
Minnesota	2	-	2
Missouri	3	-	3
Nebraska	1	1	2
Nevada	1	-	1
New Hampshire	1	-	1
New Jersey	1	-	1
New York	4(3*)	3	7
North Carolina	2(1*)	-	2
Ohio	2	3	5
Oklahoma	2	-	2
Oregon	2	2	4
Pennsylvania	3	3	6
Rhode Island	1*	1	2
Tennessee	2*	2*	4
South Carolina	1	1	2
Utah	1	1	2
Vermont	1	-	1
Virginia	2*	-	2
Washington	2	2	4
West Virginia	4	3	7
TOTAL	63	31	94

* Denotes trainee

Appendix B

1982 PIPELINE SAFETY GRANT ALLOCATIONS
BASED ON $2,434,000.00

State	Grant No.	Request	Allocation	% of Funding
Alabama	DOT-GB-20001	156,492	66,785	21.34
Arizona	DOT-GB-20002	38,976	27,283	35.00
Arkansas	DOT-GB-20003	70,545	49,112	34.81
California	DOT-GB-20004	224,500	80,769	17.99
Colorado	DOT-GB-20005	68,082	47,657	35.00
Connecticut	DOT-GB-20006	60,000	42,000	35.00
Delaware	DOT-GB-20007	9,483	6,638	35.00
Florida PSC	DOT-GB-20008	116,812	58,626	25.09
Florida ST	DOT-GB-20009	44,609	31,226	35.00
Georgia	DOT-GB-20010	100,157	55,201	27.56
Hawaii	DOT-GB-20011	12,500	8,750	35.00
Idaho	DOT-GB-20012	20,535	14,374	35.00
Illinois	DOT-GB-20013	144,046	64,226	22.29
Indiana	DOT-GB-20014	72,335	49,480	34.20
Iowa	DOT-GB-20015	36,611	25,628	35.00
Kansas	DOT-GB-20016	42,607	29,825	35.00
Kentucky	DOT-GB-20017	165,177	68,571	20.76
Louisiana	DOT-GB-20018	394,685	115,763	14.67
Maine	DOT-GB-20019	15,330	10,731	35.00
Maryland	DOT-GB-20020	47,754	33,428	35.00
Massachusetts	DOT-GB-20021	42,724	29,907	35.00
Michigan	DOT-GB-20022	178,987	71,410	19.95
Minnesota	DOT-GB-20023	78,238	50,694	32.40
Mississippi	DOT-GB-20024	106,587	56,523	26.51
Missouri	DOT-GB-20025	61,561	43,093	35.00
Montana	DOT-GB-20026	19,362	13,553	35.00
Nebraska	DOT-GB-20027	50,930	35,651	35.00
Nevada	DOT-GB-20028	38,146	26,702	35.00
New Hampshire	DOT-GB-20029	30,543	21,380	35.00
New Jersey	DOT-GB-20030	133,917	62,143	23.20
New Mexico	DOT-GB-20031	68,200	47,740	35.00
New York	DOT-GB-20032	654,300	169,145	12.93
North Carolina	DOT-GB-20033	101,648	55,507	27.30
North Dakota	DOT-GB-20034	11,400	7,980	35.00
Ohio	DOT-GB-20035	115,880	58,434	25.21
Oklahoma	DOT-GB-20036	91,254	53,370	29.24
Oregon	DOT-GB-20037	60,707	42,495	35.00
Pennsylvania	DOT-GB-20038	235,545	83,040	17.63
Rhode Island	DOT-GB-20039	73,068	49,631	33.96
Tennessee	DOT-GB-20040	150,340	65,520	21.79
Texas	DOT-GB-20041	629,448	164,035	13.03
Utah	DOT-GB-20042	30,000	21,000	35.00
Vermont	DOT-GB-20043	19,672	13,770	35.00
Virginia	DOT-GB-20044	78,464	50,740	32.33
Washington	DOT-GB-20045	57,037	39,926	35.00
West Virginia	DOT-GB-20046	109,000	57,019	26.16
Wisconsin	DOT-GB-20047	106,458	56,496	26.53
Wyoming	DOT-GB-20048	118,239	58,919	24.92
Dist. of Columbia	DOT-GB-20049	40,000	28,000	35.00
Puerto Rico	DOT-GB-20050	20,148	14,104	35.00
	TOTAL	5,353,039	2,434,000	22.73

SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT

STATEMENT OF GORDANA SWANSON, COUNCILPERSON, ROLLING HILLS, CALIF.

Ms. CRUNICAN. Next we have the Southern California Rapid Transit District, Ms. Swanson.

Ms. SWANSON. Hello. Ms. Crunican, thank you for the opportunity to speak. It is always gratifying to see a woman in a position of power. [Laughter.]

My name is Gordana Swanson. I am a member of the Board of Directors of the Southern California Rapid Transit District, and I am councilwoman in the city of Rolling Hills, which is located in the southwest area of Los Angeles County.

I am here with specific issues which concern us in the Los Angeles area. They are:

No. 1, a level of appropriations equivalent to the fiscal year 1982;

No. 2, a block grant mechanism which would be separate for bus and rail; and

No. 3, a reasonable discretionary fund of appropriations of up to, or approximately 25 percent.

In June 1983, the Rapid Transit District will complete the preliminary engineering on the heavy rail starter line known as Metrorail. The line that we are proposing will be carrying an anticipated 300 passengers per day, which compares to about 180,000 passengers that we carry now on our 700 buses.

The Wilshire Starter Line, as we call it, is the initial segment of southern California's heavy rail rapid transit system. It will be 18.6 miles long. The area which it will serve is the regional core that averages 17,000 persons per square mile in an exceedingly high employment density area.

On June 4, 1980, UMTA granted $15 million to the Rapid Transit District. That is the first installment of the $38 million preliminary engineering effort. Then in December 1981, which we considered a clear vote of confidence, Congress appropriated an additional $9.83 million for preliminary engineering.

The construction phase of this project will last approximately 5 years, and completion is projected for 1989. You must understand that Los Angeles' urbanized area is the second largest in the United States, with a 1980 census population of about 9.4 million. During the past decade, it was one of the two metropolitan areas that were among the top 20 that have increased population and maintained the population density. That certainly demonstrates the very clear health of our urbanized area.

Commercial growth has also demonstrated equal strength. More than 14 million square miles in commercial and other space downtown is currently under construction, which means that it will bring between 35,000 to 40,000 employees to the area.

The greater Los Angeles public and private sector are currently working together to pursue better public transportation and improvements for the area. The Board of Directors of the Rapid Transit District, the

Los Angeles Area Chamber of Commerce, the Central City Association, and the Los Angeles County Transportation Commission, all support the passage of a 5-cent-per-gallon surcharge. This penny a gallon revenue earmarked for transit will help maintain and expand our mass transit infrastructure.

In November 1980, the voters of Los Angeles County have approved the so-called Proposition A which was passed by 54 percent of the voters. It authorizes a half-cent sales tax for transportation purposes. What is very significant about this is that this happened at the same time when the Jarvis amendment was passed overwhelmingly by the voters of Los Angeles County, which obviously indicates that at the time when the public was in the mood to not approve any additional taxing that they actually approved by a clear majority the proposal for a half-cent sales tax for transportation.

This was challenged in the courts, and the California Supreme Court just last Friday held that the decision was constitutional.

So we are looking forward to a renewed era for public transit for the Los Angeles area. What we want to impress upon you is that we need adequate funding that for a long time we have supported transit starter lines throughout the Nation, and it is time that the Los Angeles area which desperately needs mass transit is supported by you at this point. A balanced national transit program and policy will depend on this committee. Thank you for the opportunity to speak.

Ms. CRUNICAN. Thank you very much for your testimony and for coming all the way from Los Angeles to appear before the committee.

[The statement follows:]

STATEMENT OF GORDANA SWANSON

Mr. Chairman. Members of the Committee. My name is Gordana Swanson, I am a member of the Board of Directors of the Southern California Rapid Transit District (RTD) and an elected local official, serving as a Councilperson from the City of Rolling Hills which is located in the Southwest portion of the Los Angeles County.

The decisions made by this Committee will have a major impact on the federal transit program for the next year, and perhaps several years. Several specific issues are of major importance to the Los Angeles area. They are: (1) a level of appropriations equivalent to fiscal year 1982; (2) a block grant mechanism with separate bus and rail funds, and (3) a reasonable discretionary fund of approximately 25%. The size of the discretionary fund and any restrictions on its use remain of particular importance to the Los Angeles area.

In June, 1983, the RTD will complete Preliminary Engineering on a heavy rail starter line known as Metro Rail. The proposed alignment will traverse the Wilshire Corridor, the heart of the Los Angeles Regional Core. An extensive alternatives analysis determined that heavy rail would be the most efficient and cost-effective mode for this corridor. Unfortunately, a "no new starts policy" or an extremely low discretionary fund would prohibit the construction of this line. This policy would penalize areas, such as Los Angeles, which have contributed a large portion of their dollars over the last 10 years to other "new start" cities, primarily in the Southeast and Atlantic Coast areas.

If capital funds are to be provided by UMTA, we believe that no mode should be excluded, especially one that results in reduced operating costs. Instead, Federal policy should promote

the right system for the right place or the right corridor. In high density corridors such as Wilshire, a rail line will more efficiently move the anticipated 300,000 passengers per day than the existing 6 bus lines.

The right system for Los Angeles begins with the Metro Rail Project -- sometimes referred to as the "Wilshire Starter Line". This project is the initial segment of Southern California's first heavy rail rapid transit system. Its 18.6 mile alignment will start at Union Station, pass through the Civic Center and the Los Angeles Central Business District, travel west under Wilshire Boulevard, turn north under Fairfax Avenue, continue through Hollywood, and terminate in the San Fernando Valley.

With 16 stations over its length, this line will link the most densely populated areas of the Regional Core. It will traverse a corridor with a residential density averaging 17,000 persons per square mile and an exceedingly high employment density. These are "New York-type" densities, I might add parenthetically. Today, the RTD operates six bus lines in the Wilshire corridor, using over 700 buses and carrying over 180,000 passengers per day. Simply eliminating these bus lines and converting some to feeder lines would guarantee well over 200,000 riders a day at current demand. Additional population and employment development between now and system start up will generate an additional 100,000 passengers per day.

On June 4, 1980, UMTA granted $15 million to the RTD as the first installment of a $38 million Preliminary Engineering (PE) effort. A clear vote of confidence and support came as recently as December, 1981, when Congress appropriated an additional $9.83 million for PE. Also in December, while visiting Los Angeles, UMTA Administrator Arthur Teele, Jr. stated he would ensure that "Los Angeles' historic funding shortfalls are rectified and corrected..within this year [1982]." He continued by adding,

"Los Angeles does have a greater need for funding than the funds that we have provided and we intend to correct that matter forthwith."

The schedule for completion of Preliminary Engineering is June, 1983. Upon receiving UMTA's signal to proceed, work will begin immediately on right-of-way acquisition and final design for the project. This phase is scheduled to start in mid-1983 and completion of these tasks will signal the start of the Construction phase, which is scheduled to last five years (1984-1989).

Let me describe the area that this project will serve. The Los Angeles urbanized area is the second largest in the United States, with a 1980 population of about 9.4 million. During the past decade, it was one of only two metropolitan areas among the top twenty that increased population and maintained population density. This growth and development curve clearly demonstrates the continued economic health of our urbanized area.

The challenge of meeting transit needs is enormously compounded by this extraordinary growth rate. For example, the RTD increased its ridership from less than 600,000 ten years ago to more than 1,250,000 today, a 100% increase. However, at the same time, population grew by more than 1 million, generating a person trip increase of almost 4 million.

By the year 2000, population projections show an increase of at least 2 million and perhaps as many as 3.5 million persons. Thus, if these numbers are anywhere near correct, in only 18 years the population will increase by at least as much as the entire urbanized area of Baltimore and could grow by as much as the entire urbanized area of Houston. These population increases under any circumstances are staggering in terms of their implications to public transportation.

Commercial growth has demonstrated equal strength. More than 14 million square feet in commercial, residential and other space downtown is currently under construction. If the RTD is to maintain its 45% peak period mode split in the downtown area, 500 to 700 additional buses will have to enter the Central Business District during the peak periods to deliver an additional 35,000 to 40,000 employees. The surface streets probably cannot accommodate that many additional buses along with the 40,000 or so additional automobiles required. Thus, the problem is not one of 10 to 20 years but one confronting us immediately which we must begin correcting now.

In November 1980, a referendum measure known as Proposition A passed by a 54-46% vote. This measure authorized a half-cent sales tax for transportation purposes. Although presently challenged in the California State Supreme Court and therefore not yet in effect, it clearly reflects a broad base of public interest and support for transit. Passage of this initiative means that Los Angeles appreciates a basic fact of life in the 1980's -- employees, customers, and the general public all benefit from good public transportation and are severely restricted by its absence. More importantly, they are willing to tax themselves to help pay for better transit.

Today, the greater Los Angeles public and private sectors are aggressively pursuing a major set of public transportation improvements. These include a major bus-on-freeway program, an express bus program, the preliminary engineering of four light rail lines and of course, the Metro Rail project.

To this end, we have supported the year-long efforts of the American Public Transit Association to guarantee adequate funding for a balanced national transit program. A program level of approximately $4 billion would enable systems to prevent the loss of ridership built during the decade of the 70's. A multi-year

reauthorization will permit an orderly transportation planning process. Finally, a 25% discretionary fund will permit the funding of much-needed projects such as Metro Rail.

To help fund this program the Board of Directors of the RTD, the Los Angeles Area Chamber of Commerce, the Central City Association and the Los Angeles County Transportation Commission all support the passage of a five-cent per gallon equivalent increase in highway user fees. The penny-a-gallon revenue earmarked for transit will help maintain and expand our mass transit infrastructure and prevent the "geometric deterioration" that the Secretary has stated will take place without additional federal financial help.

Mr. Chairman, this concludes my testimony. I am prepared to answer any questions which you might have.

THE HERITAGE FOUNDATION

STATEMENT OF JOHN SEMMENS, SENIOR ECONOMIST, ARIZONA DEPARTMENT OF TRANSPORTATION

Ms. CRUNICAN. Next we will have the Heritage Foundation, represented by Mr. John Semmens.

Mr. SEMMENS. Today I have only been here a short while and I have been able to observe a remarkable parade of supplicants, people coming here to beg the Federal Government to pay for things which if they were really necessary they would be paying for themselves. I would like to say that this is not my notion of what made America great. America was not made great by the idea of people getting someone else to pay their bills; it was made great by a can-do society.

Yet, we see these people insisting that everyone benefits from this. These are great programs. If they are so great, then why do we require a gun to be put at the heads of the American taxpayer to finance all these great programs?

Now transportation subsidies ignore basically the will of the people. They insist that the market and the consumer are unfit to judge what kind of transportation services they want. They trample the idea that the customer is always right, and they end up reducing actual welfare by channeling resources to ventures which lose money rather than make money.

Now the market system says that I can satisfy my own needs by meeting the needs of others in voluntary exchange. The subsidy system, as

we have seen here today, says that I can satisfy my needs by coming here to Congress and begging them to fund my program. Under the subsidy system, there is no incentive for a person to consider the needs of others; only the needs of themselves. Under the subsidy system, efforts are diverted from productive activities to lobbying activities.

Now a couple of programs with which I have some familiarity, we have the Amtrak program which supposedly provides rail passenger service for those who need it. Now to go from Los Angeles to Phoenix, the passenger pays $60 in fare, and the nonriders provide $220 in subsidy. Here we have a situation where the actual rider is paying 25 percent of the cost. Is this justice? Should nonconsumers be forced to pay for this?

Amtrak likes to boast that it creates $4 billion of economic activity. This implies that since their budget is only one-third of this amount, that they contribute three times as much as it costs. However, this is an empty boast based on falacious reasoning. This falacious reasoning is well illustrated in the Federal Rail Administration's benefit/cost guidelines in which they illustrate how a program which in actuality loses 80 cents our of every dollar can be made to look like it generates a 500 percent return on investment.

I would say that the expenditure of money on programs like Amtrak and like local rail service assistance cannot be justified. It especially cannot be justified in the face of enormous deficits and enormous taxation. If Congress is serious about reducing the deficit, then it must reduce Government waste by eliminating these kinds of subsidies.

Ms. CRUNICAN. Thank you very much. Be assured that we will bring this to the attention of the subcommittee members, including Senator Andrews. Thank you.

[The statement follows:]

STATEMENT OF JOHN SEMMENS

NOTE: The views presented herein are those of the author and do not necessarily reflect the position of the Department on these issues.

The argument on behalf of government subsidies of a product or service is bolstered by two assertions. On the one hand, it is contended that subsidies are required to provide a needed product or service that the market has failed to provide. On the other hand, it is alleged that the subsidy will stimulate economic growth and employment.

Both of these assertions on behalf of government subsidies are wrong. The effect of such subsidies is to divert resources from needed products and services. There is no way that a government subsidy can stimulate economic growth or employment.

Defenders of subsidy programs are only too happy to trot out the evidence that rebuts the criticisms of their opponents. After all, was not the rationale behind the establishment of programs like Amtrak and Local Rail Service Assistance the idea that government aid could perpetuate needed service? Isn't it true that the service provided under these programs would not exist without subsidies? Is it not obvious that the needs of the consumers of these services would go unfulfilled without government intervention?

Further, the operators of Amtrak, for example, can point to the jobs enjoyed by their employees, the profits enjoyed by their suppliers, and the ancillary economic activity directly attributable to Amtrak's existence as evidence of the stimulative effects of government aid.

The problem with all this evidence is that it is the product of a narrow vision. If the government spends a billion dollars on rail passenger service, there can be no question that some needs may be fulfilled. It also goes without saying that some economic activity will be necessary in order to serve these needs. However, focussing solely on the outlays of the government program does not address the very real question of the opportunity cost incurred by expending resources in this fashion.

Resources are scarce economic goods. When they are expended in one use, they cannot be simultaneously available for another use. Of course, resources that are wisely invested will produce returns greater than the costs. This profit can then be used to serve needs that had to be neglected before. A society's rising standard of living depends upon the profitable use of resources.

The harsh reality of subsidies is that they are designed to compensate

for the lack of profitability in a particular use of resources. The absence of profit tells us that the use of resources is generating returns that are less than the costs. Sustaining losses in the use of scarce resources means that needs that could otherwise have been served will now have to be neglected. A society's capacity to support a rising standard of living is diminished by the magnitude of the losses. Even worse, this diminution of resources has effects that, compounded over time, result in substantial sacrifices of income and employment.

The decision to contravene the free market by instituting government subsidies has a negative impact on the satisfaction of needs. At the outset, other economic needs must go wanting so that a subsidy can be bestowed on a favored activity. Eventually, ever greater amounts of need must be foregone. And for what? Is the provision of services via Amtrak of such overwhelming urgency that we should reduce the resources available for the satisfaction of needs for food, clothing, and shelter, now and in the future?

This is not to assert that the government should resort to subsidizing food, clothing, or shelter either. It is not the task of government to legislatively or administratively determine a hierarchy of economic needs. Shifting resources from one set of uses to another by governmental fiat is the antithesis of a wise or humane policy.

The reason why needs are ill-served via governmental intervention is that the whole issue is much too complex for such simplistic solution. Popular wisdom perceives that one man's meat is another man's poison. What's good for one person, isn't necessarily good for another. Satisfaction of material needs requires a mixture of elements. This mixture is different for each person.

The complexities of needs could produce an atmosphere of indecision, insufficiency, and despondence. Such an atmosphere can be observed today in Poland. Fortunately, our society has evolved an institution of enormous complexity to deal with the problem of human needs. This institution is called "freedom". In the economic realm this freedom includes the right to determine one's own needs and the right to take voluntary and productive steps toward meeting those needs.

Because we deem freedom to be justly a right of all persons, we find that the path to the satisfaction of one's own needs lies in the meeting of the needs of others. In order to obtain the resources to serve my wants, I must perform some service or provide some product of value to another person. The

institution of freedom harnesses the creative powers of each and every person to the task of meeting needs. The more successful I am at meeting the needs of others, the more resources will I obtain to satisfy my own needs. This is the system of free enterprise.

Government subsidy programs usurp the economic freedom of individuals. The beautifully complex solutions of voluntary actions are supplanted with the crude implements of force. Consumers of subsidized services are no longer required to provide value for value. With the abetting intervention of the government they are permitted to steal a small portion of the resources of their fellow citizens for the satisfaction of their own wants. On an Amtrak ride from Phoenix to Los Angeles, for example, the passenger pays about $60 of the $280 total cost of his trip. Non-riders are, without their consent, required to put up the other $220.

Consumers of Amtrak services are encouraged not to concern themselves with the responsibilities of meeting the costs of their own needs. Instead, the subsidy system encourages them to badger their Congressmen with demands for more service, now that they no longer have to pay its full cost. Not only does this divert attention from the responsibility to consider the needs and rights of others, but it erodes ethical standards. If the arm of government is used to subvert the market system, to substitute the coercive powers of the tax system for the voluntary exchange of goods and services, can we be surprised when contempt for law, in general, grows?

In the face of the rather apparent economic and moral shortcomings of diversion of resources by government subsidy, the defenders of these programs presume to advance their case by means of cost/benefit analysis. Even in the best of circumstances, cost/benefit analysis is subject to severe deficiences. It was invented by economists in order to evaluate the merit of resource expenditures in situations where no market existed. An example of such a situation might be a case involving either the positive or negative "externalities" of certain economic activities. Evaluations of air pollution regulations have often been of the cost/benefit genre. Even here, though, the development of theories of marketable "pollution rights" is making cost/benefit analysis less applicable.

Whether or not cost/benefit approaches are appropriate for evaluating certain government regulations, they have no application to the evaluation of subsidy programs. The whole rationale behind a subsidy program is that it is "needed" because revenues from the consumers cannot cover costs. What this

really means is that the consumers, given a free choice, are not willing to pay the cost of the service. In no uncertain terms, this unwillingness to pay conveys the message that the consumers find the benefits to be less than the costs. Thus, cost/benefit analyses which purport to show benefits in excess of costs for such programs as Amtrak or Local Rail Service Assistance are invalid and distorted.

The distortions that can be incorporated into cost/benefit analyses are well illustrated by the Federal Railroad Administration's Benefit-Cost Guidelines manual. The manual instructs the user - an aspiring subsidy recipient - on how to select a "frame of reference" that will show the user's proposal in the most advantageous light. In this way, a proposal that in reality would produce a negative return of 80% can be made to appear to generate a 500% return on investment.

These amazing distortions are achieved by a number of devices. Costs are counted as benefits. The loss of benefits incurred elsewhere when gains are merely income transfers is ignored. A double standard in accounting for consumer surplus is used. The element of risk is disregarded. Finally, the entire concept of opportunity cost is routinely misapplied. These manipulations demonstrate that the sponsored subsidy program is intellectually bankrupt, as well as financially disastrous.

Amtrak likes to boast that it creates more than $4 billion in economic activity and that 125,000 persons owe their jobs to the existence of the Amtrak program. The implication is that the benefits of the program exceed the costs by a wide margin. But these are idle boasts. The cumulative results of more than a decade of rail passenger subsidies have been the loss of over $12 billion in capital and more than 125,000 jobs.

Because this essay has used two transportation subsidy programs as examples, it should not be construed that we have isolated the problem. These are two programs with which I have some familiarity. The same principles are applicable to all subsidy programs. The defects are fundamental in nature. The provision of a subsidy contradicts the verdict of freely acting consumers and producers. It ignores the social communication that resources are more urgently needed elsewhere.

The inevitable consequence of subsidy is to thwart the efficient satisfaction of needs. This reduces wealth and propagates unfulfilled wants. Worse than this, the resort to coercive diversion of resources is an immoral act. The fact that the law can be used to obtain unearned benefits is a discredit to our government. No good, and much harm, has come of it. A wise and equitable policy would take every opportunity to eliminate subsidies wherever and whenever they are found.

MCR Technology, Inc.

STATEMENT OF DONALD FRIEDMAN, PRESIDENT

Ms. CRUNICAN. Next we have MCR Technology, Inc., represented by Mr. Donald Friedman.

Mr. FRIEDMAN. Since its inception in 1968, MCR Technology, which was formerly called Minicars, Inc., a small business, has received 80 percent of its revenues from competitive contract awards of the Department of Transportation, particularly the National Highway Traffic Safety Administration.

MCR Technology and Dynamic Science and Calspan are part of the high technology research industry supporting NHTSA, which has and will be severely affected if this committee continues the funding limitations of the recent past. That is, if the fiscal 1983 NHTSA budget is cut to the level of 1982, and if line item funding is continued to noncompetitive Government laboratories such as the Transportation Systems Center of Cambridge, Mass., and the Safety Research Laboratory of NHTSA and its affiliate the Transportation Research Center both of Liberty, Ohio, then funding to private sector contractors in passenger vehicle research will continue to be funded at 20 percent of the $10 million per year in fiscal 1981.

Since noncompetitive awards to Government laboratories are antithetical to tight budgets and cost effectiveness, we ask that you authorize the requested budget, or add and specifically allocate funds for passenger vehicle research to the preexisting better qualified private sector contractors at fiscal 1981 levels. This is entirely consistent with Senate Resolution 93 dealing with Government competition with small business.

The reduced budget in fiscal 1982 has virtually eliminated funds for NCR Technology's competitively won NHTSA program to develop and evaluate cost-effective production vehicle modifications to protect unrestrained occupants. This program has shown that the safety of the majority of vehicle occupants who choose not to wear their belts can and should be significantly improved, particularly because the research and production costs are low, and the number of people who benefit are high.

We therefore also request that you reduce the funds earmarked for the Transportation Systems Center, some $6 million, or allow NHTSA to pass one-third of the TSC line item funds through to the modified production vehicle program. As an example, in the recent past we have concluded phase I of the modified production vehicle program indicating a savings of 2,300 lives and 6,500 serious injuries annually through a $16 modification of the padding in the sides of the doors of automobiles. I have with me an illustration of that padding.

In addition, the work that is not going on that was scheduled to go on is the evaluation of the reason why the Camaro is twice as unsafe—that is, has twice the fatality rate—of the Volvo, and the reason why the Trans Am, which is an identical car to the Camaro, has 50 percent higher fatality rates than the Camaro. The reason strongly indicated is the steering wheel assembly which provides a different level of

impact to the chest of the occupant in an accident in the Volvo configuration as compared to each of the other two. I have those illustrations on the desk over there [indicating].

The point is that the work that needs to go on that was scheduled to go on is being reduced or eliminated by virtue not only of the reduced budget, which may be a necessity at the time, but the simultaneous allocation of some 40 percent of the NHTSA budget to Government laboratories like TSC, TRC, and the Safety Research Laboratory, and their activities have not been anywhere near as significant in the past. So as a result, the private sector that has been doing this kind of work has had a substantial reduction in its ability to contribute.

Ms. CRUNICAN. If you have a few moments after the hearing, I would be happy to hear a little bit more explanation of the steering wheels, if that is a possibility.

Mr. FRIEDMAN. Thank you very much. I would like to do that.

Ms. CRUNICAN. Thank you.

[The statement follows:]

STATEMENT OF DONALD FRIEDMAN

Chairman Andrews and Members of the Committee, I am pleased to be allowed to comment on the effects of the Department of Transportation's (DOT) Fiscal 1982 budget and the probable consequences of a similiar Fiscal 1983 budget.

Since its inception in 1968, MCR Technology, Inc. (formerly Minicars, Inc.), a small business, has received 80 percent of its revenues from competitive contract awards of the Department of Transportation, particularly the National Highway Traffic Safety Administration.

MCR Technology (Senators Cranston and Hayakawa), Arvin/Calspan (Senators Moynihan and D'Amato) and Dynamic Science, (Senators Goldwater and DeConcini) are part of the high technology research industry supporting NHTSA which has been and will be severely affected if this Committee continues the funding limitations of the recent past. That is,

a. if the Fiscal 1983 NHTSA budget is cut to the level of 1982, and

b. if line item funding is continued to non-competitive government laboratories, such as the Transportation Systems Center in Cambridge, Mass., the Safety Research Laboratory of NHTSA and its affiliate the Transportation Research Center, both of Liberty, Ohio, then,

funding to private sector contractors in passenger vehicle research will continue to be funded at 20 percent of the $10 million per year Fiscal 1981 level. Since non-competitive awards to government laboratories are antithetical to tight budgets and cost effectiveness, we ask that you authorize the requested budget or add and specifically allocate funds for passenger vehicle research to the pre-existing, better-qualified private sector contractors at Fiscal 1981 levels.

The reduced budget in Fiscal 1982 has virtually eliminated funds for MCR Technology's competitively-won NHTSA program to develop and evaluate cost effective production vehicle modifications to protect UNRESTRAINED OCCUPANTS. This program has shown that the safety of the majority of vehicle occupants who choose not to wear their belts can and should be significantly improved, particularly because the research and production costs are low, and the number of people who will benefit are high. We, therefore, also request that you reduce the funds earmarked for TSC, or allow NHTSA to pass one third of the TSC line item funds through to the Modified Production Vehicle Program.

BACKGROUND ON DIVERSION OF PRIVATE SECTOR FUNDING TO GOVERNMENT LABORATORIES

The magnitude of the problem may be appreciated by recognizing that in Fiscal 1981 MCR Technology received $2.3 million in funding for almost 100 people, while for Fiscal 1982 thus far we have received about $60,000, and there aren't many procurements in process. My colleagues from Calspan and Dynamic Science are similiarly distressed. Our concern is that the combination of cutting the NHTSA research budget by 30 percent, and the line item allocation to TSC and SRL/TRC has eliminated 85 percent of the funds planned for passenger vehicle research which has been traditionally accomplished in the private sector.

Not only is that unreasonable and contrary to Administrative policy with regard to business, and small business at that, the capability does not exist at TSC to spend the money in the area of need. While we have considerable respect for the TSC staff, their major area of expertise has been in analysis and fuel economy, and they cannot contribute significantly with in-house capability to occupant protection. As a result, some 30 or 40 percent of the line item allocation to TSC will go to support the retraining or new hire of government technologists, while the experts in the private sector are being thrown out of work.

The Government in both the Administration (via OMB Policy Directive A-76) and in the Congress (Senate Resolution 93 - Government Competition with Small Business) have expressed support for small business activity in appropriate proportion to government laboratory research. I call upon you to fairly evaluate and resolve this obvious disparity.

BACKGROUND ON THE MODIFIED PRODUCTION VEHICLE PROGRAM TO PROTECT UNRESTRAINED OCCUPANTS

MCR Technology is the company who in 1974, after analyzing the available accident data and identifying the vehicular modifications which could be developed to reduce casualties, won the competition to prove it by designing the Research Safety Vehicle.

At that time the NHTSA interpreted their legislative mandate to mean "demonstrate the maximum degree to which the occupants and victims of auto accidents can be protected cost effectively."

Minicars' RSV, in evaluations documented by major governments and car companies around the world, exhibited performance which, if it had been applied to all U.S. production cars, would have annually eliminated about 20,000 fatalities and 60,000 serious injuries.

But that program had a major flaw: the NHTSA underestimated the regulatory and public pressure required to force manufacturers to urgently incorporate the technology into production vehicles. When this became apparent in 1980, a new strategy was developed. This new strategy has as its primary focus, recognition of the automotive industry's capital intensive need to effect change in an evolutionary, not revolutionary, fashion; and has as its goal, the near-term reduction of casualties.

That strategy relied on the implementation of passive belts and/or increased voluntary use of the existing three-point harnesses to achieve 40 percent usage and protect occupants in frontal collisions. While my reading of the data would have dictated retention of FMVSS 208 implementation, I have no way to adequately gauge the pressures on the NHTSA Administrator, and I view his program to encourage voluntary seat belt usage and discourage drunk driving as mutually complementary with FMVSS 208. Given this posture, our concern was for the other 60 percent of the people who would be unrestrained!

In 1980, a competition was held similar to that of 1974 in which my company competed with Calspan/Chrysler, Ford, Volkswagen, the Budd Company, etc., to deal with this problem. We were awarded one of two contracts to analyze and develop inexpensive, lightweight, easily incorporated modifications to a production vehicle which would improve the unrestrained occupants chances of survival. The Phase 1 effort which focused on side impact casualties, in deferrence to the increased usage of belts to reduce frontal casualties, has just been concluded with the following results:

A 13 pound vehicle modification with a production cost of $16 per car would, by 1995, annually eliminate 2,300 fatalities and 6,500 severe injuries in side impact accidents involving nearside occupants.

Although preliminary analysis indicates that the application of similar design techniques to frontal impact protection would influence less than a third of the fatalities and half of the severe injuries of the Research Safety Vehicle, it is obviously well worth pursuing. Certainly I don't want my family hurt for lack of an extra inch of door or dash padding or a flat padded rather than dished steering wheel. Please refer to the attached exhibit.

Of course, these are not the dramatic results which might have come from implementation of the RSV technology, but they are significant because the kinds of changes that are called for have been well received and are being considered by some automotive manufacturers and, therefore, are likely to find their way into the production vehicles for which they are being designed.

Unfortunately, a combination of factors is thwarting progress along these lines. The National Highway Traffic Safety Administration has identified the public relations campaign to reduce drunk driving and increase restraint usage as their number one priority. Continued concentration on accurate accident data collection and analysis ranks next, and while the unrestrained occupant protection program is next as an extremely important adjunct to the first two, it must, of necessity, share the remaining funds with other necessary efforts in a reasonably well balanced program.

While this Subcommittee last year approved the NHTSA budget, the House Subcommittee did not share the NHTSA Administrator's enthusiasm for, nor expectations of, the proposed program and presumably for this and other reasons, in conference, authorized less money than was requested. Furthermore, in the House there appears to be substantial support in the Subcommittee for line item allocations to government laboratories at the Transportation Research Center in Cambridge, Mass, and the Safety Research Laboratory in conjunction with the Transportation Research Center in Liberty, Ohio.

As a result of the reduced budget and these allocations, funding for passenger vehicle research in the private sector and our development of production vehicle modifications to protect unrestrained occupants has been virtually eliminated.

SUMMARY

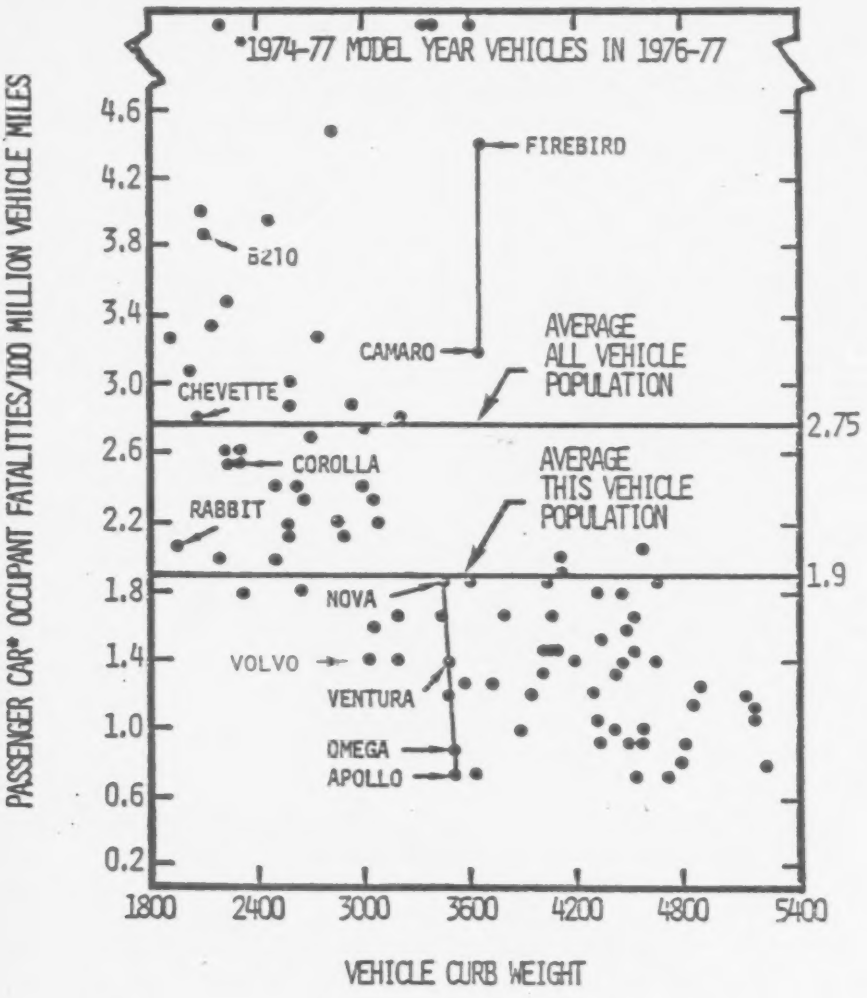
Certainly it seems inappropriate to cut the 35 or 40 million dollar research budget of an agency whose mandate is to save lives and reduce injuries (currently costing society almost $40 billion). The reduction of a few million dollars is trivial compared to the potential benefits and the waste involved in allocating line items to specific, if inappropriate, government laboratories.

We, therefore, request that you authorize the requested NHTSA research budget; allocate at least 1/6 or $6 million of the NHTSA research budget to passenger vehicle research in support of the existing private sector competence; and reduce the TSC line item, or allocate 1/3 or $2 million of it, to support unrestrained occupant protection through the Modified Production Vehicle Program.

Respectfully submitted,

Donald Friedman
President
MCR Technology, Inc.

This chart from the testimony of Donald Friedman to the House Committee on Science and Technology, March 28, 1979, illustrates the observed differences in fatality rates between cars in the FARS file. Detailed analysis since that time has shown that driver protection is significantly affected by the differences in design of the steering wheel and column assemblies of the Firebird, Camaro and Volvo. In his verbal presentation Mr. Friedman will exhibit the steering wheels from these three vehicles along with the padding modifications developed in the Modified Production Vehicle program.



DEPARTMENT OF AVIATION, CITY OF HOUSTON

STATEMENT OF A. L. McMILLAN, ASSISTANT DIRECTOR

ACCOMPANIED BY: ROBERT E. COHN, ESQ., BUTLER, BINION, RICE, COOK & KNAPP, WASHINGTON, D. C.

Ms. CRUNICAN. Next we have the city of Houston, Tex., A. L. McMillan. And would you introduce your guest, please, as well.

Mr. MCMILLAN. Thank you very much. I have with me today Mr. Robert E. Cohn, who is our counsel here in Washington.

We are very, very pleased to have the opportunity to be with this committee this afternoon because we recognize the importance of an air transportation system, a very effective air transportation system, to the growth and prosperity of our community. It is because of this that we certainly appreciate the opportunity to appear before this committee.

Since our full testimony will appear in the record, we will highlight and summarize it this afternoon. By way of summary, the city of Houston advocates continuation of the highly successful ADAP program, and the continued eligibility of all airports both large and small to participate in ADAP.

Houston recommends that ADAP be funded at a level of $750 million. Any amount less than this will not provide enough funds to allow airports to meet even minimally their needed capital construction requirements. As before, ADAP should be funded by the users of the national air transportation system through a ticket tax paid into the Airport and Airway Trust Fund. I might depart momentarily to note that this is indeed a user fee and is not a general tax item, in our opinion.

Houston strongly opposes the concept of defederalization, or more appropriately defunding of the Nation's largest airports as has been discussed at some length in other committee hearings during the past 2 years.

ADAP has been a proven success. It has permitted the development of a national airport system—and I want to underline the word system—in this case where all portions of the system have to function properly; otherwise, the system will break down. If you do not have adequate, safe, and suitable facilities on the land side for landings, takeoffs, and operation of aircraft, it serves very little purpose to have a very adequate air traffic control system. You need both.

Without adequate ADAP funding for the major airports to assist in capital improvement financing, we feel that the Nation's air transportation system will become clogged, constrained, and congested. Only the continuation of a well-funded ADAP program for all airports in the system can insure that airport facilities will be able to meet the ever increasing national air transportation demands. Again, we believe that $750 million is the minimum level, as I will discuss later.

The need for a continued ADAP program at an adequate level of funding is particularly critical during this post-deregulation era, and in the aftermath of the air traffic controllers strike. Deregulation has spurred development of scores of new airlines and the growth and expansion of existing facilities of existing airlines.

Houston's enormous population and economic growth has made it a major growth center in this country. Since 1978 over 22 new airlines have entered the Houston air service system. This phenomenal influx of new service has stretched Houston's airport facilities to their limits, and has forced Houston to undertake major capital improvement programs.

Without ADAP funds, however, airports, including Houston, will be unable to keep pace with the demands for the needed capacity expansion. Without ADAP funds we must issue larger amounts of revenue bonds in order to continue our airport development. This becomes very costly.

For example, using 25-year 13.5 percent bonds as a basis, Houston must pay back $3.50 in principal and interest for each bond fund dollar used. Each $10 million in ADAP grants would therefore represent a savings in debt service of $35 million, or $1.4 million per year to the city.

Houston recommends the ADAP funding level of $750 million because, among other things, this is the amount necessary to accomplish the job, and because we have simply fallen behind in the last 2 years in current construction requirements. This results partly from the failure to have an ADAP act in place for the temporary 1-year extension funding last year, and for the absence of a program today.

The balance of our testimony which I will not read since it will be in the record, develops some of the points that bear on the vital nature of the ADAP program and of the defederalization issue to our perceived needs.

We do feel, in summary, that the ADAP program must be continued. We feel that defederalization is bad; and our position there is premised on the view that there are no other viable alternatives.

Thank you very much.

Ms. CRUNICAN. Thank you. We appreciate it.

[The statement follows:]

STATEMENT OF ALTON L. MCMILLAN

I am Alton L. McMillan, Assistant Director for Finance of the Department of Aviation of the City of Houston. Accompanying me is Robert E. Cohn, Washington Counsel for the City of Houston. Houston owns and operates two major airports, Houston Intercontinental and William P. Hobby. Houston recognizes that its continued growth and prosperity is tied to the growth and development of its air transportation system. It is because this is such an important concern to Houston that we very much appreciate this opportunity to share our views with the Committee on this important issue.

As you are aware, the current legislative status of the Airport Development Aid Program ("ADAP") is complex. Congress is presently considering authorizing legislation, tax legislation, as well as appropriations legislation. The provisions of each of these bills are intricately inter-related and must be finely balanced and coordinated. Consequently, it is impossible to discuss the level of appropriations for ADAP without also addressing the related authorization and taxing measures.

By way of summary, the City of Houston advocates the continuation of the highly successful ADAP program, and the continued eligibility of all airports, large and small, to participate in ADAP. Houston recommends that ADAP be funded at the level of $750 million. Any amount less than this will not provide enough funds to allow airports to meet, even minimally, their needed capital construction requirements. As before, ADAP should be funded by the users of the national air transportation system through a ticket tax paid into the Airport and Airway Trust Fund ("Trust Fund"). The City of Houston strongly opposes the "defederalization," or more appropriately, "defunding" of the nation's largest airports.

I. ADAP FOR ALL AIRPORTS IS CRITICAL TO THE CONTINUED VIABILITY OF THE NATIONAL AIR TRANSPORTATION SYSTEM

ADAP has been a proven success. It has permitted the

development of a national airport system with an equitable allocation of the costs of that development among the beneficiaries thereof -- the airport users themselves. The national airport system cannot be abandoned by the federal government. It must continue to grow and develop as an integral part of the national air transportation system.

In recent weeks much attention has been given to the administration's proposed national airspace plan. While this plan presents a worthy and necessary goal, it should not be embraced at the expense of ADAP and continued airport development. Airspace improvements and the development of airport facilities must go hand-in-hand. Every airplane flight has a beginning and an end. Not only does every flight require safe, monitored routes, but it also requires adequate, safe, and suitable facilities for take-off and landing. Without adequate ADAP funding for the major airports to assist in capital improvement financing, the nation's air transportation system will become clogged, constrained, and congested. As indicated in the Report of the Office of Technology Assessment ("OTA") on the Airport and Air Traffic Control System, dated January 1982, appropriate management and air traffic control can help alleviate airport congestion and delay problems. Capital improvement and expansion remains, however, a necessary and effective aid in coping with increased air traffic. Only the continuation of a well-funded ADAP program for all airports in the system can assure that airport facilities will be able to meet increasing national air transportation demands.

Houston's experience ably demonstrates the historical success of ADAP and the necessity of prompt reauthorization of ADAP at adequate levels. A noteworthy portion of the costs of building and improving Houston's two major airports -- William P. Hobby and Houston Intercontinental Airports -- was supported by ADAP and predecessor programs.

The need for a continued ADAP program at an adequate level of funding is particularly critical during this post-deregulation

era and in the aftermath of the air traffic controllers' strike. Deregulation has spurred the development of scores of new airlines and the growth and expansion of existing airlines. Houston's enormous population and economic growth has made it a major growth center in this country. Since 1978, over 22 new airlines have entered the Houston air service system. This phenomenal influx of new service has stretched Houston's airport facilities to their limits and has forced Houston to undertake major capital improvement programs. Without ADAP funds, however, Houston -- and other similarly situated airports -- will be unable to keep pace with the demands for needed capacity expansion.

Several ADAP eligible projects have already been identified for Houston Intercontinental, including the construction of a fourth terminal (Terminal D) and a much needed and long planned East-West runway. Houston has recently been forced to reconsider and defer construction of Terminal D because of the current financial and bond-market climate and the uncertainty of the ADAP program. The sorely needed new third runway may suffer a similar fate, with a projected increase in average annual delay costs to the air carriers from the present level of about $10 million to approximately $65 million in 1985. As OTA recognized, new runway construction is a particularly feasible and efficient remedy for airport congestion (See OTA Report on the Airport and Air Traffic Control System at 113, 128).

Under the former ADAP legislation, a portion of the terminal building project costs, and a larger portion of the runway project costs, would have been ADAP eligible. ADAP grants would have reduced the required amount of City generated funds and the economics of both projects would swing from being infeasible or marginally feasible to a definitely feasible posture. Using 25 year, 13.5% bonds as the basis, the City must pay back $3.50 in principal and interest for each bond fund dollar used. Each $10 million in ADAP grants would, therefore, represent a saving in debt service of $35 million, or $1.4 million per year, to the City.

Houston recommends an ADAP funding level of $750 million for FY 1983 and subsequent years. This recommended level of funding is necessary to continue a successful ADAP program. When ADAP expired in fiscal 1980 it was funded at $600 million. Since 1980, long term reauthorization of the program has not been achieved. For FY 1981 an interim program was authorized and funded at only $450 million. For FY 1982, a $450 million ceiling on ADAP expenditures was provided in the appropriations bill, but no authorization for spending those funds has yet been enacted. Thus, during the current fiscal year no ADAP funds have been available.

As a result of these past two years of low or no funding, ADAP eligible projects have "backed-up." In addition, rising construction costs continue to make all delayed projects and future projects more expensive. As a result, $750 million represents a minimum acceptable funding level for FY 1983 and subsequent years to catch up and keep pace with growing airport construction requirements.

In addition, for the same reasons, I would like to take this opportunity to recommend that if ADAP spending is authorized in FY 1982, a $250 million supplemental appropriation, increasing the FY 1982 ADAP ceiling to $700 million should be enacted.

Houston also urges that ADAP continue to be funded by airport users through an air passenger ticket tax. The level of the tax must, of course, be high enough to produce a fund capable of assisting adequately all airports.

II. THE DEFUNDING OF THE LARGEST AIRPORTS IS NOT ECONOMICALLY FEASIBLE AND IS INEQUITABLE

The so-called "defederalization" proposal of the Administration ignores economic realities and would be grossly inequitable to the defunded large airports. The proposal is predicated on the myth that absent ADAP funds, the largest airports can generate sufficient revenue through other sources such as higher landing fees, airport revenue bonds and passenger user taxes (the

so- called passenger facility charge). These other sources of revenue are illusory.

Most airport operators, like Houston, have long-term contracts with airline tenants that will not be voluntarily renegotiated by the carriers. Defederalization will not ensure that carriers will agree to renegotiate higher fee agreements, particularly when airlines are currently facing devastatingly high losses systemwide. Any higher fees would have to be passed on to passengers through higher fares, which would have an adverse impact on traffic generation and further contribute to eroding airline economics. Established carriers will not willingly "ante up" funds -- through higher landing fees or other charges -- to build new facilities for new entrant airlines. The elimination of ADAP funds at the nation's largest airports could, therefore, adversely affect the success of Congress' airline deregulation scheme.

If defederalization is enacted, a passenger facility charge is essential. However, it must be recognized that such a charge is not an economically efficient substitute for ADAP. The assessment and collection of such a charge would impose undue administrative burdens on carriers and airports. More importantly, however, unlike ADAP funds, revenue generated through a passenger facility charge would not permit airports to make immediate cash outlays toward construction costs. Rather, the passenger facility charge would only allow airports to increase their local limits on indebtedness. Thus, airports would be forced to finance even larger portions of their construction costs over a 25-30 year period. As demonstrated above, the debt service costs involved are tremendous, and have already forced Houston Intercontinental Airport, the country's 16th largest airport, to defer construction of needed additional facilities.

Mandatory defederalization of the nation's largest airports would also be grossly unfair. The large airports have been and will continue to be the major contributors of monies to the trust fund. The airports proposed for defederalization contribute

about 85% of the annual trust fund revenues. With defederalization these airports will still be required to contribute to the trust fund, and will still be subject to the numerous, burdensome rules, regulations and requirements imposed by the federal government. Defederalization would, however, prevent these airports from recouping any of their trust fund contributions. In short, the airports would be defunded, not defederalized.

It would be grossly inequitable to deprive the major trust-fund revenue generators of any access to the revenues which they produce and will continue to produce. It will also place airports, such as Houston's, that have experienced major increases in airline service during the recent post-deregulation period, at a substantial competitive disadvantage vis-a-vis other airports whose major capital improvement programs have already been financed and completed with ADAP funds.

Voluntary defederalization is, in a sense, a misnomer because airports are free today to withdraw from future airport grants. Those interests which support voluntary defederalization are really seeking the ability to charge a passenger facility charge or head tax. The problem with "voluntary defederalization" is that it may erroneously create an incentive to reduce the level of ADAP appropriations under the false expectation that many airports will "opt out" and use the "head tax" alternative. The result will be a poorly funded program that will be inadequate to meet the growing need for airport improvements.

III. IF DEFEDERALIZATION OCCURS, IT SHOULD BE IMPLEMENTED ON A VOLUNTARY BASIS WITH A CORRESPONDING DECREASE IN THE PASSENGER TICKET TAX

Although Houston remains opposed to the concept of defederalization, if defederalization is enacted Houston urges that it be implemented only on an experimental basis, limited to, say, the largest ten airports. Defederalization should also be voluntary and permit any airport that is defederalized to impose a passenger facility charge. It should be noted, in this connection, that although the passenger facility charge is a poor

substitute for ADAP grants, the feasibility of the passenger facility charge is contingent, in part, on a consistent aviation tax scheme. The passenger facility charge can be used as an alternate financing vehicle (if at all) only if the passenger ticket tax is reduced to a level consistent with reduced ADAP funding. Defederalized airports might be placed at a competitive disadvantage vis-a-vis those airports that are not defederalized if their passengers are forced to pay a federal ticket tax of six percent or more, plus a locally imposed passenger facility charge. Thus, if airports are mandatorily defederalized there should be a corresponding reduction in the ticket tax.

In conclusion, Houston urges the continuation of ADAP for all airports at the level of $750 million per year, funded by a passenger ticket tax of between six and eight percent. Houston opposes defederalization. If, however, Congress should proceed with defederalization, it should do so on a limited, experimental basis (such as for only the ten largest airports), and/or on a voluntary basis permitting those airports that voluntarily withdraw from ADAP to impose local option passenger facility charges.

Mr. Chairman and members of the Committee, thank you for allowing me the opportunity to appear before you. I would welcome any questions that the members may have.

COMMUTER AIR CRAFT CORP.

STATEMENT OF KORNEL FEHER, PRESIDENT

Ms. CRUNICAN. Our final witness will be the Commuter Aircraft Corp., Kornel Feher. I believe you were not here earlier. Senator Andrews was here earlier, as was Senator Burdick, and they had to leave to attend a meeting over at the White House, and therefore they are unable to be here for completion of the hearing. So as a courtesy to those who had come to Washington as a special trip, the decision was made to continue the hearing today. So I give you my apologies that you do not have a U.S. Senator here at this point in time.

Mr. FEHER. Would you prefer that we postpone this thing?

Ms. CRUNICAN. No; I think it would be best if you went ahead. They all have access to the testimony.

Mr. FEHER. Very good. Thank you very much.

Ms. CRUNICAN. Certainly. Go ahead.

Mr. FEHER. My name is Kornel Feher, and I am the president of Commuter Aircraft Corp. I am here today on behalf of CAC, but I believe I will speak for all American manufacturers of commuter-sized airplanes.

America is in an odd position today. Long the leader in aerospace manufacturing, we are on the verge of having an important market snatched away from us: the world market in commuter airplanes. What is worse, we are on the verge of being beaten in our own backyard: of losing the American market itself.

The troubling part is that it is not a fair fight. American manufacturers face not just the foreign challenge, but unfair competition from those foreign firms whose governments have entered our domestic market with the heavy ammunition of foreign bargain financing.

At this critical juncture, the U.S. Government proposes taking away one small program that is absolutely needed and necessary for the survival of American commuter aircraft manufacturers. That is, the aircraft purchase loan guarantee program. I am here today to explain why this program must be retained.

Commuter Aircraft Corp. is a new company based in Youngstown, Ohio. It was organized to build advanced technology commuter airplanes in the 50- to 60-passenger categories. On top of the CAC's support from other backers, the State of Ohio, the city of Warren, the city of Youngstown, Ohio, the community has made a $17 million investment in CAC, an investment that they feel makes real sense to a restoration of jobs in their communities.

When CAC reaches full production, it will directly employ approximately 1,600 workers. This is in high-paying, high-skilled jobs. Much more than that, CAC brings a new kind of industry to an area whose traditional industries have experienced serious decline. As a new high technology, high skill industry, it can stand as a clear beacon of what can be done in the Ohio-Pennsylvania area, and in the northeast-midwest industrial crescent as a whole.

CAC's plane will compete for a $10 billion world market in large commuter airplanes. About one-half of that market is in the United States; 65 percent of all domestic air passengers travel today on trips of 500 miles or less in the continental United States.

In that range our plane will offer outstanding efficiency, comfort, and cruising speed, all unmatched by any current or planned competitor in the 40- to 60-seat class. Other American manufacturers will compete in the overall commuter market of $25 billion. How much of the commuter market will fly American planes is a question that this committee will help answer by its decision on the aircraft loan guarantee program.

Today there are a host of foreign countries out to buy the American commuter aircraft market through subsidized financing. The Canadian Government has granted deHavilland an $85 million line of credit to attack the U.S. market with 100-percent financing and 8-percent interest.

Embraer, bankrolled by the Brazilian Government, is able to offer 85-percent financing and 8.5 interest. France and Italy are lining up orders for the ATR–42 with all loans substantially below 11 percent. The British are active as well with their own subsidized export financing.

What can American manufacturers offer in return? Many or even most buyers of commuter aircraft are unable to obtain financing from traditional commercial sources. However, at least for now there is a guarantee program. The terms are no match for the subsidized financing of foreign manufacturers, but it is a source of financing. It permits some basis for choice between U.S. and foreign-built airplanes. If the guarantee program is eliminated, there will be no choice at all.

American manufacturers got a late start in competing for the commuter market—a result of the U.S. Government constraints on that industry. However, today American manufacturers can offer truly advanced technology in the commuter airplane class.

At the cost of millions, NASA research over the past 10 years has produced significant aeronautical breakthroughs. CAC has drawn on this research in the design of its airplane the CAC–100. Other manufacturers can and are doing the same. Thus, America has a meaningful technological edge, but it may be purely academic. The foreign lure of no down payment/rock-bottom financing has dealt a shattering blow to free and fair competition in the commuter market industry.

What would it mean if America ceded the commuter aircraft market to foreign manufacturers by simply withdrawing the last bit of support for financing American airplanes? In our case, it would mean that the efforts of the industrial midwest to rebuild its economic base would be dealt a major setback.

Nationally it would mean lost jobs and dumping advanced technology down the drain. That is a mistake Japan would never make. Right now the Japanese are increasing their small aircraft research and development, and beginning another program of government-business partnership.

Further, eliminating loan guarantees would mean more imports and lost U.S. exports in a high-prestige, high-technology sector. It will mean American commuter carriers are not necessarily buying the best product, but simply obtaining cheap financing for less efficient planes.

Will eliminating loan guarantees help the U.S. budget? I doubt it.

The aircraft loan guarantee program has an excellent record of repayments. The Government's exposure is minimal. On the other hand, when American commuter carriers buy less efficient airplanes, the Government is truly at risk. Under the small community air services program, U.S. taxpayers pick up the tab for any commuter airline inefficiency. In contrast to a loan guarantee, that involves real Government spending.

The administration claims that the U.S. loan guarantee program is an artificial constraint that distorts the market and raises interest rates. I wish that were true. The market in commuter aircraft is distorted not by the U.S. Government but by foreign governments and their programs of subsidized financing.

Compared to a meaningful U.S. program to balance this foreign subsidy, the guarantee's economic significance is a trifle. Still, the administration claims the loan guarantee program is unnecessary. It may be unnecessary to the air carrier getting cheap foreign financing. It may

be unnecessary to the foreign manufacturers with government financing. But to American manufacturers, it is the only game in town.

I believe the administration has misinterpreted the data. It points to a limited demand for loan guarantees. This ignores the forest for the trees. Over the past several years foreign manufacturers have captured an increasing share of the U.S. commuter market.

In 1981, foreign manufacturers built 86 percent of the planes bought by U.S. commuter carriers; but only 12 percent of those were sold through the loan guarantee program. What is happening is that foreign manufacturers are taking the U.S. market, and they do not need the guarantee program.

American manufacturers do; 63 percent of all 1981 loan guarantee sales of commuter planes were American, and that accounted for the bulk of all sales of U.S. built airplanes. In the next 2 or 3 years, American manufacturers, as they begin to catch up, will need the program more than ever before. I assure you, elimination of the program at this time will be magnificent news in Canada, Brazil, Europe, and Japan.

The commuter aircraft manufacturing industry is an important world industry. It can be highly valuable to America, or to others by default. Preserving the loan guarantee program will keep and create American jobs. It will help balance the budget through tax revenues and greater efficiency in small community air service. It will help us exploit our investment in advanced small aircraft technology.

This committee has recognized in the past the importance of the loan guarantee program to American manufacturers of new commuter airplanes. Last year it recommended that the FAA guarantee predelivery payments to manufacturers of new airplanes. This change is absolutely indispensable to innovative new manufacturers like CAC. The FAA's response to this recommendation has been bureaucratic and disingenuous. It pretends aeronautical science cannot determine airworthiness in advance of final delivery. This committee realized it is time for industry and government to work together. I urge you to translate last year's recommendation into a statutory directive.

This committee has also recognized the anomaly of letting foreign manufacturers participate in the guarantee program who also benefit from unfairly subsidized financing. These manufacturers offer subsidized financing when they need to, but use the U.S. guarantee when they can. The loan guarantee program should be absolutely closed to foreign firms that employ unfair, subsidized financing.

The current $100 million guarantee program will be a bare-bones amount as the American market expands. Still, it can play a crucial role. I urge you to let it. It is an outstanding investment in America.

Ms. CRUNICAN. Thank you very much. Please be assured that the Senators will see your testimony. Thank you for coming before the subcommittee.

Mr. FEHER. Thank you.

[CLERK'S NOTE.—The following testimony was submitted for the record:]

STATEMENT OF SENATOR MATTINGLY

In the testimony that the Multi-State Transportation System is submitting for the record for the FY83 budget hearings, the Multi-State program is referred to as "ambitious and far-reaching." I couldn't agree more with that description, and feel that these words aptly sum up this good project.

The development of the Highway system in the 1950's was one of the great achievements of our country. It showed forethought, helped pave the way for a period of expansion in our country, and played an important role in the development of our suburbs. It appears that in the last 15 years we have lost such forethought.

We establish the priorities of this country by our funding of federal programs. As the country responds to the programs that we choose to fund, and reacts to the lack of funding for others, it will become apparent whether or not the goals we have chosen are the proper ones. I hope that the Multi-State Transportation System will receive proper attention as we decide what our national priorities are. Mr. Chairman, I will now submit for your consideration the testimony of the Multi-State Transportation System.

FUNDING FOR PRELIMINARY ENGINEERING
FOR THE MULTI-STATE TRANSPORTATION SYSTEM

This testimony is directed toward two pieces of legislation that make reference to transportation improvements in the Multi-State Corridor which extends from the vicinity of Brunswick, GA to the vicinity of Kansas City, MO. The first concern is for an appropriation of the $ 9 million authorized by Section 131 of Public Law 95-595 for preliminary engineering of projects in the Multi-State Corridor. The second concern is for reestablishment of $ 300,000 that was suggested in the Conference Committee Report that accompanied "Department of Transportation and Related Agencies Appropriation Bill, 1980" (PL 96-131). The Secretary of Transportation declined to follow the recommendations of the Conference Committee. This money is needed for further research to support the integration of the different projects into a unified whole. The appropriateness of both of these actions will be brought forth in the following testimony.

Transportation improvements in the Multi-State Corridor have been the subject of intense interest since 1972. Interest and support have come from an Advisory Board comprised of county and city officials, business persons, and public spirited citizens. The seven states through which the Corridor passes have joined in providing financial support for the Advisory Board. The highway and transportation departments of the seven states have participated in the planning of transportation improvements for the Multi-State Corridor. The chief executives of these departments have signed an agreement to cooperate in the planning and execution of Multi-State projects.

The Multi-State Transportation System was the first group to advocate multi-modal and intermodal transportation development to meet future regional needs. Prior to the 1974 gasoline crisis, the Advisory Board recognized that balanced economic and industrial development in the Southeast would require the joint improvement of all transportation modes and the creative use of these improvements to provide efficient and economical intermodal transportation services. The Board has not wavered from that view.

The Multi-State Transportation System has been aided by the Congress several times in the past. This help has been used to complete planning studies and research investigations that support the appropriation request that is now being made. Some of the more significant work is:

1. A parametric study that identified the resources and needs of the Multi-State area. The desparate need for economic development in rural areas was documented.

2. A highway feasibility study that established a preliminary route for a spinal highway and identified the benefits that a high quality highway alone would bring to the area.

3. A feasibility study of the multi-mode concept in a Corridor setting fell short of expectations because it failed to take into account strategic growth opportunities that could result from multi-modal transportation improvements.

4. A university research program was conducted to develop a technique that would relate industrial development opportunities to transportation improvements. This technique was tested against recent developments and then used to develop broad guidelines for transportation improvement projects in the Multi-State Corridor.

The results of the planning work have been most gratifying. The value and importance of the multi-modal approach have been substantiated. A rather considerable synergistic effect has been identified whereby improvements to the different transport modes reinforce one another for the benefit of all.

Additional preparatory work has been completed so that preliminary engineering can begin on the first few projects as soon as funds become available. The agreement among the seven state highway and transportation executives has been used to establish a broad set of priorities and to identify an initial set of projects. The executives have agreed to place initial emphasis on the spinal highway and on projects that improve modal interfaces. Using resources available to other programs, part of the spinal highway is already in place. Four lane and controlled access sections of U.S. 78 in northeastern Mississippi and U.S. 280 in Alabama are complete. The completion of priority primary Corridor Z in South Georgia will provide a high quality highway between Columbus and Brunswick, GA. A section of Appalachian highway in Northwestern Alabama will also double as part of the spinal route. Thus a substantial portion of the spinal highway will be provided without special appropriations

for the Multi-State Corridor. This is good, because the Multi-State Transportation System can focus its attention on projects that will provide important intermodal opportunities.

The highway and transportation departments of the seven states have prepared a set of projects that they believe warrant first priority for the development of the Multi-State Corridor. This set of 75 projects is consistant with the guidance of the university research. Unfortunately, the cost of preliminary engineering for all 75 projects will greatly exceed the $ 9 million authorization. This list has been pared to the transportation projects listed in Exhibit 1, which we ask to be supported with an appropriation from PL 95-595. Preliminary engineering for these projects has been estimated to cost about $ 8.3 million. We ernestly solicit your support in securing an appropriation so that this important work can begin.

Additional research is also needed to support the continued evolution of truly intermodal transportation in the Multi-State Corridor. The university research program has provided guidance in formulating the overall transportation improvements. However, as preliminary engineering is initiated, changes will need to be made. Some of these will be substantial enough to warrant reconsideration from a Corridor wide viewpoint. This can only be done with the university developed techniques. At this time, the techniques cannot be used by the states without university help. The utility of the techniques would be greatly enhanced if they were simplified, carefully documented and installed on one or more state operated computers.

Additional analytical work is needed to improve the estimates of the size of the markets that can be developed in response to transportation improvements. The university team formulated new concepts for these measurements that have never before been used. As with any new development, additional research will illuminate the underlying economic mechanisms and improve the quality of the result.

It is desirable to update and improve the quality of the commodity flow data used in the research. The results of the 1977 Censuses of Transportation and Manufacturers were not available when the university research was performed. These new sources will allow both updating and improvement of the commodity flows. This work should be done.

More work is also needed to improve the estimates of the impacts that industrial development will have on the Multi-State Corridor. The economic base studies that were performed have been useful, but these relationships are so important that they warrant further study.

We believe that all of the research tasks mentioned above can be completed for the $ 300,000 that was originally requested in the Conference Committee Report that accompanied PL 96-131.

The Multi-State Transportation System development has been a pioneering effort throughout its life. Although the concept of intermodal transportation is not new, it has never been attempted on the scale proposed for the Multi-State Corridor. We believe that the concept is sound and that its development is essential if the United States is to continue its industrial growth while conserving energy and minimizing its imports of petroleum. We in the Multi-State Transportation System are ready to begin the transportation developments that are essential to our future. We ask your help with this ambitious and far reaching program.

Exhibit 1

PROPOSED PRELIMINARY ENGINEERING PROJECTS

State	Project	Estimated Preliminary Engr. Cost
Alabama	Interterminal Analysis, rail, highway, waterway, air	$ 330,000
	Construct rail line adjacent to U.S. 78	880,000
	Initial Corridor Study from U.S. 280 near Sylacauga to I-85 at Opelika	730,000
	Highway Planning Studies from APD Corridor X near Walker-Jefferson County Line to I-59 near Bessemer	150,000
Arkansas	Highway-Rail Access to Port of West Memphis	882,000
Florida	Connect I-295 at Dunn Avenue (near Jacksonville) to U.S. 84 (GA 50) east of Hoboken, GA	600,000
Georgia	Improve U.S. 84 from I-95 to Jointer Creek, Colonels Island Port Improvement (near Brunswick)	60,000
	Brunswick, Andrews Island Connector	50,000
	Columbus-Phenix City Regional Intermodal Terminal	100,000
	SR-714 Ware County from Lee Avenue to City Blvd. PI 520842	239,000
	Ware County, from SR-158 to SR-50, PI 520502	354,000
	SR-714, Ware County, Waycross, from UAB to Nicholls Street, PI 520841	250,000
	U.S. 84, Brantley County, Satilla River Bridges, PI 52084A	371,000
Mississippi	Fulton Access Road from Tenn-Tom Waterport to U.S. 78	30,000
	Access Spur from Proposed Memphis Waterport to U.S. 78 at Olive Branch	1,720,000
Missouri	Riverport Access-Kansas City, MO I-35 Interchange to Grand Avenue Viaduct Connection	25,000
	Springfield Regional Airport to U.S. 160	10,000
	Capacity Improvement-U.S. 65, Taney Co.: North of MO 248 to North of MO 76 at Branson	140,000
	Capacity Improvement-MO 7, Henry Co.: North of MO 13 North Intersection to South of MO 13 South Intersection at Clinton	280,000
	Capacity Improvement-U.S. 65, Christian Co.: MO 14 to South of Route EE	250,000
	Capacity Improvement-MO 7, Cass-Henry Co.: From 1 mile west of Creighton to 0.5 mile east of Creighton (Route B Interchange)	180,000
Tennessee	Winchester Road from Airport Terminal to west of Getwell Road	$ 651,000
	TOTAL FOR PROPOSED PROJECTS	$ 8,282,000

STATEMENT OF HOWARD W. WILLOUGHBY

I am Howard W. Willoughby. As the Director of Aviation for the City of Philadelphia, I would like to thank you for this opportunity to present the City's views on the Airport Development Aid Program ("ADAP").

While I recognize that this Committee's primary concern is with the level of ADAP funding in the appropriations bill, the funding level must be considered in conjunction with proposals for the "defederalization" of the nation's largest airports and proposals authorizing the imposition of a passenger facility charge, as well as with the related tax legislation now before the Committee on Ways and Means.

ADAP has been a highly successful and beneficial program, and Philadelphia strongly urges that it be continued. However, if the Program is to continue to help us and the nation's other airports to keep pace with air transportation needs, it will require, first, an annual funding level of about $750 million. Second, we need predictability in terms of funding availability, funding levels and Program duration. Unless Congress can provide a minimum of $750 million in ADAP funds for FY 1983, with periodic increases thereafter to allow for inflation, and the predictability of a Program authorized for the long term, Philadelphia urges that airports be given the right to withdraw from the Program, and to impose an airport user charge. Such withdrawal should be voluntary, not mandatory, so that each airport can decide whether to participate in ADAP in the light of its own needs and circumstances. Local, rather than federally mandated decisions, are clearly the best in this area.

I. THE ADAP PROGRAM HAS BEEN VERY SUCCESSFUL AND SHOULD BE CONTINUED AT A LEVEL OF AT LEAST $750 MILLION

The City of Philadelphia owns and administers Northeast Philadelphia Airport, a reliever airport, and Philadelphia International Airport. Philadelphia International plays a key role in the overcrowded northeast corridor. With the deregulation of the airline industry, Philadelphia has become one of the country's busiest commuter connecting hubs. With the assistance of some $37 million in ADAP funds between 1976 and 1980, Philadelphia has been able to expand and modernize its facilities to keep pace with the expansion of the air transportation industry. Thus, we have clearly benefitted from ADAP, and would like to see the Program continued.

Philadelphia International Airport currently has in the planning stages some $75 million worth of ADAP eligible projects. These include a much needed new commuter runway -- precisely the type of project the Office of Technology Assessment recognized as an effective and feasible means of dealing with airport capacity and congestion problems in its Report on the Airport and Air Traffic Control System, dated January 1982. Other ADAP eligible projects which are essential for Philadelphia International to keep pace with air traffic demand, include a cargo terminal complex, storage facility for airport equipment, new aprons and taxiways, runway safety extensions, and an airfield drainage system. In addition, Northeast Philadelphia Airport needs $2.25 million to resurface and regroove its 7,000 foot primary runway.

The City of Philadelphia therefore urges that ADAP expenditures be authorized and appropriated at an annual level of at least $750 million in 1982 dollars. When it expired in 1980, ADAP was funded at a level of $600 million.

Only $450 million in ADAP funds were made available in FY 1981. Although a $450 million ceiling on ADAP expenditures was approved for FY 1982, there has been no authorization as yet, and, thus, no ADAP assistance has been available in the current fiscal year. In light of the dramatically reduced funding in 1981, the lack of assistance this year, and the dramatic increases in capital construction costs in recent years, funding at the level of at least $750 million is imperative if the country's airports are to meet their capital improvement needs. In addition, I recommend that if an ADAP authorization is passed for FY 1982, there should be a supplemental appropriation increasing the present $450 million ceiling to at least $700 million.

II. PHILADELPHIA OPPOSES MANDATORY DEFEDERALIZATION

Although Philadelphia suggests the concept of voluntary defederalization coupled with authority to impose an airport user charge, we oppose any mandatory defederalization of the nation's largest airports. Mandatory defederalization assumes the ability of all defunded airports to find alternative revenue sources through a passenger facility charge or other means. Although Philadelphia, because of its current air carrier lease agreements, may be in an unusual position because it can impose a federally authorized airport user charge to meet its capital expenditure requirements, all airports are not necessarily in the same position. Accordingly, Philadelphia strongly urges the continuation of ADAP for all airports, large or small, who want and need it.

Elimination of ADAP funds for the busiest airports would be highly inequitable. The targets of the defederalization proposal have been the largest contributors to the Airport and Airway Trust Fund ("Trust Fund"). Between 1976 and 1980, over 70% of the Trust Fund surplus was obtained from large

and medium hub airport traffic. Even with a reduced ticket tax, the large airports will continue to generate the most Trust Fund revenues. It is wholly inequitable to deprive these airports of such revenues in one fell swoop.

Smaller airports may, indeed, have a disproportionately greater need for ADAP assistance. This need can be accommodated without completely excluding the busiest airports from ADAP. If defederalization must be imposed, the defederalized airports should be allowed, at a minimum, to continue participation in ADAP until the current Trust Fund surplus is depleted. This could be accomplished by allowing continued participation under present provisions, or by gradually, over a period of several years, reducing the amount of ADAP funds available to the larger airports.

III. PHILADELPHIA SUPPORTS THE OPTION OF VOLUNTARY DEFEDERALIZATION FOR THOSE AIRPORTS DESIRING TO WITHDRAW FROM ADAP

Almost exactly one year ago, in testimony before the Subcommittee on Aviation of the House Committee on Public Works and Transportation, Philadelphia strongly supported the continuation of ADAP for all airports, large and small. Philadelphia continues to unequivocally support a long term ADAP program, provided there are assurances that a sufficient level of funds (at least $750 million in FY 1983 and subsequent years, adjusted for inflation) will be available for all airports. The history of the Program over the past couple of years is not comforting in our search for such assurances.

At the very best, it appears that ADAP might be reauthorized for only an additional five year period. A two year authorization is more likely. The likelihood of future authorizations beyond either of those periods is simply unknown. In addition, the level of available funds is,

of course, subject to the annual appropriations process. These concerns are not merely conjectural, but have been borne out by the recent experience of an inadequate FY 1981 ADAP funding level of $450 million and the lack of an authorization thus far in fiscal year 1982. These uncertainties make it extremely difficult for Philadelphia International Airport to continue to rely on ADAP to support its needed capital improvements of approximately $7.5 million per year.

We need certainty because the capital project planning process in the City of Philadelphia takes, on the average, five to six years. Philadelphia currently has on the drawing board some $75 million worth of projects which would be ADAP eligible. There is no assurance, however, that ADAP funds will, in fact, be available when these projects go from the drawing board to the construction stage. Nor is there any assurance that once Philadelphia begins construction on a multi-phase project, that ADAP funds would be available to complete the entire project.

Accordingly, if the Airport Development Aid Program which is finally enacted does not provide sufficient funding and predictability, then Philadelphia International Airport needs the flexibility to develop a funding program that will enable it to meet its construction needs. Such a program could only be implemented by obtaining from Congress the ability to withdraw from ADAP and to impose an airport user charge.

There is no inconsistency in my urging, on the one hand, a continued ADAP program and, on the other hand, the right of airports to voluntarily withdraw. All I urge is a flexible Program that takes into account different needs of different airports. In Philadelphia's case, for example, Philadelphia International Airport might consider withdrawing if less than

$750 million in ADAP funds are made available, assuming that we can impose an airport user charge. On the other hand, our reliever airport -- Northeast Philadelphia Airport -- has no enplaned passengers and, practically speaking, has no alternative financing sources, and thus will continue to be dependent on future ADAP funding for its capital projects.

IV. IF DEFEDERALIZATION OCCURS, IT MUST BE COUPLED WITH A CORRESPONDING DECREASE IN THE PASSENGER TICKET TAX AND THE RIGHT TO IMPOSE AN AIRPORT USER CHARGE

It is, of course, imperative that any airport which withdraws from ADAP (or is mandatorily defederalized) be permitted to impose an airport user charge. Philadelphia believes that sufficient capital to meet its needs at Philadelphia International can be generated through such a charge. Philadelphia's leases with domestic air carriers already allow the imposition of such a charge in the event that it becomes permitted by law. Philadelphia's agreements with international carriers expire this year, and will be renegotiated to include a user charge provision similar to that contained in its domestic carrier agreements.

If defederalization occurs there will be a somewhat reduced need for ADAP funds. Accordingly, in the event of defederalization, there should be a corresponding reduction in the passenger ticket tax. Without some reduction in this tax, defederalized airports imposing user charges would be placed at a competitive disadvantage to airports continuing in the ADAP Program. In its effort to promote a truly national air transportation system, the federal government should not advantage some airports at the expense of others.

Finally, while I recognize that airport revenue bonds and other traditional airport financing vehicles are largely outside this Committee's jurisdiction, I would like the Committee to be aware that the Administration has proposed to

severely restrict the availability of revenue bond financing for airport facilities. It is important that these financing vehicles remain available to finance airport development, lest airport owners come to you a year or two from now seeking much higher ADAP ceilings than are now under consideration, because other financing vehicles have become unattractive in the capital markets, or have become completely unavailable due to changes in federal laws and regulations.

V. THE AMOUNT AND ADMINISTRATIVE HANDLING OF AN AIRPORT USER CHARGE SHOULD BE LOCALLY DETERMINED

As I noted earlier, the decision on whether to rely on ADAP funding or on local funding through an airport user charge is most effectively made locally by the airport rather than by Congress or the Executive Branch. Similarly, the level of any airport user charge is also best determined locally, subject to continuing federal guidelines on the appropriate uses of the resulting revenues and subject, perhaps, to a ceiling set by law with a provision for periodic escalation for inflation.

Based on Philadelphia International Airport's capital construction plans over the next five to six years, we believe that an allowable charge in 1982 dollars of approximately $1.50 per enplaned passenger, and the equivalent thereof for general aviation and cargo users, would be sufficient to finance the approximately $7.5 million per year we project we will need.

Returning now to a point that I made at the very beginning of my testimony, we believe that any charge that airports would be permitted to impose should not be limited to passengers but should extend to all airport users; hence, the concept of an "airport user charge." Since the benefits

of airport capital projects generally extend, directly or indirectly, to all airport users, not just to passengers, we believe that all should share in the cost of the benefits under a formula that would be equitable to all.

We have heard arguments that the collection of such a charge would be administratively difficult, and we agree that the administrative burdens must be minimized. This can be accomplished by treating and collecting the user charge like landing fees, airport security charges and other costs of airport operations. It would simply be a cost of doing business, collected directly from the carriers on a periodic basis. As with landing fees, security charges or space rental, the airport user charge would not be itemized on an airline ticket, and there would be no need for any new or separate administrative mechanism. The airport would, in the case of passengers, bill a carrier in an amount equal to the number of its enplaned passengers for a given time period multiplied by the per passenger airport user charge. For general aviation and all cargo carriers, a different but equally equitable formula would be used. Such a collection mechanism has the virtue of simplicity and a direct relationship to airport use. Finally, since the carriers would be paying the charge, their self-interest and the airport's interest in not unduly burdening its carriers would represent a formidable incentive for airports to undertake only necessary capital projects and to execute them efficiently.

VI. AIRPORTS NOT PARTICIPATING IN ADAP SHOULD BE TRULY DEFEDERALIZED, NOT MERELY DEFUNDED

Currently, federal rules, regulations and requirements govern almost every facet of airport operations. For example, our latest ADAP grant agreement contains some 42 separate assurances covering 16 pages. Certainly, extensive regula-

tion in the safety area is warranted, and some additional regulation might be justifiably tied to ADAP assistance. Philadelphia would hope, however, that those airports voluntarily withdrawing from ADAP would not be merely defunded, but actually defederalized. With the elimination of ADAP assistance we would hope to see a return of control to local airports unencumbered by the existing, burdensome federal regulatory framework.

VII. CONCLUSION

In summary, the City of Philadelphia urges the continuation of the ADAP program for all airports, funded at an annual level of at least $750 million in 1982 dollars. If the program can not be funded at this level, and authorized on a multi-year basis, then airports should be given the opportunity to voluntarily "opt-out" of the program and impose an airport user charge to raise funds needed for local capital improvements. Mandatory defederalization of the nation's largest airports is untenable.

LETTER FROM EDWARD W. STIMPSON, PRESIDENT, GENERAL AVIATION MANUFACTURERS ASSOCIATION

May 7, 1982

The Honorable Mark Andrews
Chairman
Senate Appropriations Subcommittee
on Transportation
1406 Dirksen Senate Office Building
Washington, D. C. 20510

Dear Mr. Chairman:

Last year we expressed to you our concern about the loss of both foreign and domestic sales to manufacturers whose parent countries were supporting unfair practices in international general aviation trade. Your committee wisely identified the Federal Aviation Administration's loan guarantee program as a subsidy which should not be extended to products of countries which are not complying with the provisions of the Agreement on Trade in Civil Aircraft. Moreover, you recommended that the

Executive Branch "vigorously pursue negotiations and such other actions as may be necessary to insure that free trade with our neighbors is also fair trade." Both of these views were clearly expressed in your Committee report language.

The U. S. Government has entered into negotiations on several fronts in response to your mandate. However, the loan guarantee program has again become an issue: there are no funds in the Administration's 1983 Budget proposal to continue the program.

U. S. commuter transport manufacturers continue to face unfair competition from foreign manufacturers, particularly in the 15-25 passenger size aircraft. Some governments subsidize export financing at several percentage points below market rates. The loan guarantee program has helped in the growth of the U. S. commuter airline industry -- the purpose for which it was intended. But, to an even greater degree, it has contributed to the competitive survival of our commuter aircraft manufacturers. In the face of growing foreign competition, the elimination of this program could hamper the commuter aircraft industry which today -- beset by serious economic conditions, including high interest rates and intense foreign competition -- is experiencing tough sledding, even in the U. S. marketplace.

The industry has supported the President in his efforts to reduce budget deficits, and we could support a reduction in the loan guarantee program. But the total elimination of the program, as proposed, would further damage an ailing domestic industry.

We urge you, Mr. Chairman, to keep this program -- and with it our commuter industry -- viable by approving at least $50 million for the FAA loan guarantee program, and denying its use for foreign products that are offered with unfair, subsidized financing.

Sincerely,

Edward W. Stimpson
President

CONCLUSION OF HEARINGS

Ms. CRUNICAN. The subcommittee will stand in recess subject to the call of the Chair.

[Whereupon, at 3:20 p.m., Monday, May 3, the hearings were concluded and the subcommittee was recessed, to reconvene at the call of the Chair.]

LIST OF WITNESSES, COMMUNICATIONS, AND PREPARED STATEMENTS

Page

Albrecht, A. P. ... 453

Ballerini, William R. ... 107
Basic, John J. ... 851
Beach, Marcia ... 902
Berger, Stephen ... 1, 17, 32, 33
Bernthal, Eric L. ... 617
Blake, Neal A. ... 453
Blanchette, Robert W. ... 1, 11, 25, 107, 143, 151, 152, 154, 156
Boyd, Alan S. ... 107, 108, 124, 146, 154, 155
Burdick, Quentin N., U.S. Senator from North Dakota, statement of ... 291, 897

Capon, Ross ... 773
Clark, William P., letter from ... 674
Cohn, Robert E. ... 976
Conlon, Mary Patrick, letter from ... 560
Crane, L. Stanley ... 1, 29
Cushing, Lawrence C. ... 694

Dell'Isola, Alphonse J. ... 631, 638
Demoney, N. Edwin, Jr., letter from ... 629, 630
Denney, Craig, letter from ... 562
Dodd, Christopher J., U.S. Senator from Connecticut, letter from ... 688, 689
Donlon, R. H. ... 868
Donovan, Sharon ... 621
Downs, Thomas M. ... 762
Druhan, William T. ... 917

Ekedahl, Duane H. ... 681

Feher, Kornel ... 984
Fenello, Michael J. ... 453
Foryst, Carole A. ... 231, 272, 273
Friedman, Donald ... 970

Gambaccini, Louis J. ... 603, 611
Gammon, James ... 821
Gargano, Charles A. ... 231
George, William L. ... 756
Gilbertson, E. V., letter from ... 559
Gilstrap, Jack R. ... 603, 606, 607
Giuffrida, Louis O., letter from ... 675
Gottlieb, Joshua L., letter from ... 860, 861
Grant, Albert A., letter from ... 759, 760
Graves, W. Lawrence ... 720

Hagen, Ronald R., letter from ... 558
Hardy, George E., letter from ... 226
Hayward, C. W. ... 107, 153

Page

Helms, J. Lynn 453, 485, 601
Hernandez, Walter J. 936
Hildebrand, Dean, letter from 561
Hill, Lewis W 929
Holt, Stephen A., letter from 826
Horowitz, Alan H., letter from 658
Huie, Edward L 694

Jensen, Frank L., Jr 885
Johannssen, Howard E 707
Johanson, Alden C 107
Johnson, Edward D 631, 645, 646, 648

Kinstlinger, Jack 805, 818, 927
Klee, Fred 882, 883
Klemme, Donald A., letter from 825
Knoke, Lawrence, letter from 557
Kramer, John 805, 818, 822
Kunkel, Richard, letter from 557

Larson, Martin, telegram from 897
Lazarek, William A. 690, 692, 693
Lee, Roger O., letter from 899
Lick, Alton L., letter from 563
Lindsey, S. Mark 107
Luffsey, Walter S 453

Mahoney, J. H., letter from 562
Mann, Lawrence M 777
Matt, Capt. A. Robert 658
Mattingly, Mack, U.S. Senator from Georgia, statement of 988
McMillian, Alton L. 976
Michaelis, Dennis, letter from 558
Moretti, F. C., letter from 679
Murdock, J. E 453

Olson, Allen I., letter from 556

Patton, Harold 819, 820
Pell, Claiborne, U.S. Senator from Rhode Island, letter from 137
Plissner, William A 453, 497

Ralph, John E 725
Reighard, H. L., M.D 453
Rippa, Len 791
Roberts, Maj. Gen. J. Milnor 658
Rossman, Robert H 651

Safeer, Harvey B 453
Sander, Raymond J 231
Schwab, Mildred 908
Schwartz, Richard 655
Sciulla, Michael 655
Segner, Donald R 453
Semmens, John 964
Shannon, Preston C., statement of 229
Shea, William F 453
Snyder, J. R 777
Sporl, Gene 858, 859
Stephen, Alan 681, 682
Stimpson, Edward W., letter from 1000
Stone, Ron, letter from 827

	Page
Stromme, Lloyd, letter from	561
Swanson, Gordana	958
Teele, Arthur E., Jr	231, 260, 268, 271, 273, 363, 370, 384, 881
Thompson, Gerald	453
Thompson, Louis S	107
Tufty, Harold	631
Van Vuren, Raymond J	453
Weithoner, Charles E	453
West, Francis J., letter from	678
Wilding, James A	453
Willoughby, Howard W., statement of	992
Wold, Peter B	863
Woodman, Kent	231, 370

SUBJECT INDEX

CONSOLIDATED RAIL CORPORATION
U.S. RAILWAY ASSOCIATION

Page

Assets 104
Berger, Stephen, Chairman, U.S. Railway Association, statement of 17
Blanchette, Robert, Administrator, Federal Railroad Administration, statement of .. 11
Capital needs 88
Commuter operation 12, 37
Conrail abandonments 11
Crane, L. Stanley, Chairman, Consolidated Rail Corporation, statement of 2
Labor protection benefits 35, 47, 90
Net income 93
Potential buyers for Conrail 41, 91
Railroad litigation 39
Volume of services 48
Work force reduction 94

DEPARTMENT OF TRANSPORTATION

FEDERAL AVIATION ADMINISTRATION

Administrative computer 553
Fleet modernization 531, 578
Flight service stations:
- Automation-consolidation 495, 550, 572
- Closures 518, 546
- Master plan 499
- Modernization 548

Grants 500, 564, 596
Helms, J. Lynn, Administrator, Federal Aviation Administration, statement of 455
ILS system—North Dakota 556
ILS-MLS transition 532
Loan guarantee program 499
Mode S 535
NAS plan 461, 571
- Computer capacity 494, 529
- Purchase of computers 493, 529
- Rehosting computers 492
- Replacement of computers 462, 487

National airspace review 461, 564
Navstar/GPS 537
Nexrad benefits 530
Reliever runways 489
Safety at national 502, 552, 569
Slot allocation 503
Strike recovery 455, 459, 486
Systems engineering 489
TCAS 536
Telecommunication services 501, 537
Tower closures 505, 510, 545, 594, 597

Page

Trust fund 498, 600
User fees 497, 541, 569

FEDERAL RAILROAD ADMINISTRATION

NATIONAL RAILROAD PASSENGER CORPORATION (AMTRAK)

Alabama Public Service Commission, statement of 226
Alaska railroad 127, 162, 213
Amtrak 114, 119, 138, 167
Blanchette, Robert W., Administrator, Federal Railroad Administration, statement of 109
Boyd, Alan S., President, National Railroad Passenger Corporation, statement of .. 124
Burdick, Quentin N., U.S. Senator from North Dakota, statement of 219
Conrail 110, 213
Commuter assistance funds 163
Federal assistance 112, 157
Hazardous materials 208
High-speed rail passenger service 141
Loan guarantee program 156
Northeast corridor 113, 119, 206, 218
Pell, Claiborne, U.S. Senator from Rhode Island, letter from 137
Passenger car replacement 168
Rail service assistance 118, 157, 219
Research and development 117, 159
Ridership projections 139
Safety 109, 116, 210
State inspection program 165
Tennessee Public Service Commission, statement of 227
Virginia State Corporation Commission, statement of 229

URBAN MASS TRANSPORTATION ADMINISTRATION

Advanced group rapid transit 365
Capital assistance 236, 261, 416
Conrail transit costs 363
Full funded contracts 369, 445
  Dade County 429
Grants:
  Discretionary program 372
  Interstate transfer 250, 399
  Nonurban formula 249, 362
  Urban formula 249, 417
Life-cycle costing 375
Maintenance 448
Management training concept 266
Metro construction funds 390
Operating assistance 238, 261
Peak-hour transit service 432
Safe harbor leasing 386
Teele, Arthur E., Jr., Administrator, Urban Mass Transportation Administration, statement of 233

NONDEPARTMENTAL WITNESSES

Federal Aviation Administration:
  Aircraft Owners and Pilots Association 720
  Air Transport Association of America 725
  Arlington County Civic Federation 629
  Beach, Marcia, governmental affairs, Broward County, Fla 902
  Commuter Aircraft Corporation 984
  Department of Aviation, city of Houston 976

	Page
Federal Aviation Administration—Continued	
General Aviation Manufacturers Association	1000
Helicopter Association International	855
National Association of Air Traffic Specialists	694
Professional Airways Systems Specialists	707
Regional Airline Association	681
Virginians for Dulles	623
Washington Metropolitan Coalition on Airport Problems, CAP	617
Willoughby, Howard, Director of Aviation, city of Philadelphia	992
Federal Highway Administration:	
Burdick, Quentin N., U.S. Senator from North Dakota, statement of	897
Colorado Department of Highways	805, 927
Colorado-470 delegation	819
Dodd, Christopher J., U.S. Senator from Connecticut, statement of	688
Douglas County, Colorado Board of Commissioners, letter from	825
Gammon, James, Central Chamber of Commerce, Colorado	821
Illinois Department of Transportation	818, 823
Johnson, Edward, FHA (retired), statement of	645
Kempter-Rossman International	651
Lazarek, William A., Bureau of Planning and Research	690
L. W. Veigel and Company	899
Mattingly, Mack, U.S. Senator from Georgia	988
Smith, Hinchman & Grylls Associates, Inc	631
Society of American Value Engineers	631
URS Company, letter from	826
Wold Enginering, North Dakota	863
Federal Railroad Administration:	
American Association of State Highway and Transportation Officials	917
National Association of Railroad Passengers	773
National Association of Regulatory Utility Commissioners	936
National Taxpayers Union	791
Railroad Labor Executives Association	777
The Heritage Foundation	964
National Highway Traffic Safety Administration, MCR Technology, Inc	970
Urban Mass Transportation Administration:	
American Public Transit Association	603
Boeing Aerospace Company	851
Cape Cod Regional Transit Authority	860
George, Father William T., Georgetown University	756
Klee, Fred, Dunn County Commission, North Dakota	882
Otis Elevator Company	868
Regional Transportation Authority of Chicago, Ill	929
Schwab, Mildred, City Commissioner, Portland, Oreg	908
Southern California Rapid Transit District	958
Teele, Arthur E., Administrator UMTA, letter from	881
U.S. Coast Guard:	
Boat Owners Association of the U.S	655
Federal Emergency Management Agency	675
Moretti, F. C., Military Traffic Management Command, statement of	679
National Association of State Boating Law Administrators	858
National Marine Manufacturers Association	827
Reserve Officers Association of the U.S	658
West, Francis J., Jr., Assistant Secretary of Defense	678
Washington Metropolitan Area Transit Authority, Downs, Thomas M., D.C. Department of Transportation	762

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